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6 March 1984

China Report

ECONOMIC AFFAIRS

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6 March 1984

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

RENMIN RIBAO ON MODERNIZATION OF STATISTICS

HK171041 Beijing RENMIN RIBAO in Chinese 13 Feb 84 p 5

[Article by Sun Jingxin: "Modernization of Statistical Work as Viewed From the Third Population Census"]

[Text] On 6 January this year the State Council issued a "Decision on Strengthening Statistical Work." The document points out: "In order to achieve the modernization of statistical work, it is necessary to fulfill step by step the following six targets: systematizing statistical indexes, standardizing statistical classifications, making statistical surveys more scientific, standardizing basic statistical work, modernizing statistical computation and data transmissions, and providing top quality statistical services. This is a complicated and arduous task. Can we ever fulfill these "six targets?" The answer is positive. The third population census has proved the possibility.

China's third population census marked an important step toward the modernization of statistical work. A census covering 1 billion people is unprecedented in the history of population census in the world. To conduct such a nationwide census in our country is extremely difficult because we have an immense territory, whereas our communications network is underdeveloped and the educational level among our people is relatively low. However, after a few years' efforts, we finally managed to accomplish relatively satisfactorily the task of investigation and registration of 1 billion people and successfully completed the manual processing of the data collected in the third population census, and the computer processing of the sampled data collected among 10 percent of the population (about 100 million people). Now, the computer processing of all census data is under way. The volume of the data under computer processing amounts to more than 200,000 pages. All this data will provide our decisionmaking departments at all levels with unprecedentedly complete and accurate information on population.

Being put forth in light of the advanced experience of different countries in the world and the real situation of our country and on the basis of the summarization of the experience which we have obtained in the third population census, the "six targets" for statistical work are completely attainable.

The first of the "six targets" is to systematize statistical indexes. The latest population census that has covered a relatively wide variety of fields has been carried out in a relatively systematic way. In accordance with the needs of the current four modernizations and the conditions for investigation, the number of items covered by the third population census increased to 19 in contrast to the 9 items covered by the second population census. Some newly increased items reflect the household registration status of settled population. Other items with regard to economic indexes, cover the type of trades and positions of employed population and the status of non-employed population; and, with regard to child-bearing information, provide the total number of the children each woman has, the total number of her existing children, and the number of times she was pregnant. Besides, some newly added items cover the number of births and the number of deaths. Thus, a more complete census system covering a wider range of items has been established step by step.

The second target is to standardize statistical classifications. During the third population census, the "coding system for administrative division" (national standard), the "criteria for nationality classification of trades of the national economy," and the "criteria for vocational classification" were formulated.

The third target is to make statistical surveys more scientific. The third population census, as a systematic survey project in which hundreds of thousands of people were engaged, was organized and carried out in a scientific way. The census employed 5.18 million census assistants, 1.09 million census supervisors, 130,000 coding officers, more than 4,000 input operators, more than 1,000 electronic computer operating staff, and more than 10 million cadres and progressive elements at the grassroots level. It was really a marvellous project. In order to organize this project in a scientific way, the leading organization promulgated unified quality control standards for different stages, worked out a "population census work progress chart," and drew a "population census schematic operational diagram" and a "flow chart for major processes of population census" according to the principles of operational research. These preparations ensured that the different processes of this large-scale social survey were basically well coordinated and the project was completed in an orderly way.

The fourth target is to standardize basic statistical work. During the latest census, a series of relatively well-conceived and standardized documents were issued, which defined the tasks, content, standards, procedures, methods, techniques, and supporting services. These documents include the regulations governing the selection and training of census assistants and census supervisors, the coding procedure for addresses in administrative areas governed by counties and cities, rules governing registration and checking procedures for population census, rules governing quality control sampling of population census registration work, regulations on manual processing of census data, coding procedure for population census, regulation governing the binding, packing, transportation, and control of census data, and so on. These rules and regulations have ensured meticulous work and have enhanced the accuracy of data collected in the population census.

The fifth target is to modernize statistical computation and data transmission. Electronic computing techniques have been used to process all the data collected in the latest population census. These data have first been processed at the electronic computer terminals in various provinces, municipalities, and autonomous regions. Then they have been assembled and processed by the state computing center. Based on the actual situation, our software experts have formulated a complete set of unified programs for processing of the census data and have obtained some primary experience for the modernization of statistical computation and data transmission.

The sixth target is to provide top quality statistical services. At present, we have already sorted out the manually processed data of the population census and worked out the report on the preliminary analysis and prediction based on the 10-percent sampling data. This task will be carried on further step by step.

In the sense of modernized statistical work, the third population census is imperfect and immature. But at least we have taken a great step forward. As long as we learn with an open mind and are brave in practice, will will be able to fulfill the "six targets" for statistical work.

CSO: 4020/075

NATIONAL POLICY AND ISSUES

ENTERPRISES STRESS USE OF ADVANCED TECHNOLOGIES

OW191838 Beijing XINHUA Domestic Service in Chinese 1425 GMT 17 Feb 84

[Excerpts] Beijing, 17 February (XINHUA)--The most popular topic among delegates to the National Conference on Economic Work has been "rely on technological progress to develop production and raise economic results." Successful incidences in this regard introduced by front runners at the conference have caught the attention of comrades in attendance.

The use of advanced digital seismographs and electronic computers by petroleum industrial departments has caused a breakthrough in geological prospecting for petroleum. Difficulties experienced in the past in exploring oil at abyssmal or complex strata have been overcome. Considerable quantities of oil and gas reserves have been verified in the Songliao area, Bohai coast, Zhongyuan oilfield, Sichuan basin, Northwestern areas, and continental shelves.

Li Zhaoji, vice mayor of Shanghai, said that Shanghai will strive to use large-scale integrated circuits, intelligent instruments and meters, and other advanced equipment and technology this year in order to accelerate the reform of Shanghai's existing enterprises. Li Shukai, chairman of the Liaoning Provincial Economic Committee, reported to the conference that Liaoning is planning to popularize the use of effective management methods, such as cost engineering, and install a number of minimachines in the large and medium-sized key enterprises throughout the province this year in order to raise their level of production control and business computation. A responsible person of the Ministry of Posts and Telecommunications told delegates that his ministry has made arrangements to use such new technologies as light guide and digital transmission and program control exchange in order to quickly reform its enterprises and change the backward condition of China's postal and telecommunication service.

Entrusted by the State Council, Lu Dong, a responsible person of the State Economic Commission, told the conference: "We must seize the right time, promote technological progress, and apply in a timely way the results of new scientific and technological research in order to develop our economy, increase our self-reliance, and narrow the difference between our technological level and that of the developed countries." This statement represented the common desire of the participants of the National Conference on Economic Work.

NATIONAL POLICY AND ISSUES

BRIEFS

DENG, WANG TOUR BAOSHAN COMPLEX--Shanghai, 16 Feb (XINHUA)--Chinese leaders Deng Xiaoping and Wang Zhen yesterday toured the Baoshan Iron and Steel Complex here. During their visit, they inspected a blast furnace now undergoing production trials, electrical generators and a power plant control room. They also questioned engineers on the progress of Baoshan's construction, and were invited to make return in September 1985, when the first phase of the iron and steel complex will go into operation. In his talks with plant officials, Deng urged workers to step up their scientific and cultural studies and rapidly master the use of modern technology. He also wrote the inscription: "It is imperative to be good at learning and blazing new trails in order to master new technology." Today, the two visited a microelectronics exhibition. They were briefed on computer technology and application, and on the training of qualified operating personnel. Deng also watched a robot sing songs and play chess under the guidance of two teenaged students. Computer education should begin with young children, he said. [Text] [OW161704 Beijing XINHUA in English 1633 GMT 16 Feb 84]

CSO: 4020/075

ECONOMIC PLANNING

GUANGMING RIBAO ON REFORM OF PLANNING SYSTEM

HK221536 Beijing GUANGMING RIBAO in Chinese 5 Feb 84 p 3

[Article by Zeng Guoxiang [2582 0948 4382]: 'An Elementary Talk on the Reform of the Planning System']

[Text] Since the 3rd Plenary Session of the 11th CPC Central Committee, with the reform of rural economic systems as a precursor, reforms of economic systems have been carried out to various extents in the sectors of industry, commerce, building and construction, and communications and transportation. As a result, our country's existing planning system has become even less compatible with the objective requirements for economic development. A reform of our planning system is imperative.

The principal defects of our country's existing planning system are as follows:

First, in the management of planning, powers and responsibilities are not clearly divided between the departments of overall planning and the department in charge of specialized economic work. Concerning the central planning departments and the local ones, division of labor between them is not clearly defined and there is a lack of coordination between higher and lower levels. Moreover, in the absence of any scientific plan formulation and decisionmaking procedure which is compatible with legal stipulations, policy formulation is sometimes highly arbitrary. Thus, it is very difficult to achieve comprehensive equilibrium through the plans which are formulated or to achieve balanced and well coordinated national economic development.

Second, the responsible departments' control over the production activities and management of the enterprises is overly extensive, meticulous, and rigid. Moreover, the plans are transmitted to many lower levels through departmental and local administrative systems, so that enterprises are subjected to planned management by many higher level organs; as the saying goes: "thousands of threads from above are to pass through a single needle below." From the viewpoint of the central authorities, planned management at the lower levels is "disorganized." Some people call this "centralization without unity and comprehensiveness without equilibrium." Actually, a reasonable degree of centralization and unity cannot be achieved and comprehensive equilibrium cannot be really attained. From the viewpoint of the enterprises, planned management by higher levels is "inflexible"; there are too many "higher level organs," and some enterprises are really at a loss about what to do.

Third, the several principal categories of plans are not in line with or well coordinated with one another. The goods and materials supply plans are not in line with the production and construction plans. Each category goes its own way. Over many years, capital construction plans have included investment plans alone, without providing for the achievement of comprehensive equilibrium. Long-term plans, 5-year plans, and annual plans are not in line with one another. Every year, confusion arises and plans have to be reformulated.

Fourth, the goals of planning and the means of planning are not compatible with each other. Targets and figures are invariably necessary to planning. However, socioeconomic development plans are not tantamount to some targets and figures alone. In the past, plan formulation has not been closely integrated with economic policies and economic levers. In the absence of a comprehensive department for formulating and coordinating plans in a centralized way, various economic levers (such as credits, taxation, pricing, profits, and so on) operate in separate realms. Various plans cannot be smoothly fulfilled either because the necessary means of economic regulation are not available or because various means of regulation are not compatible with one another.

Our planning management system is based on the socialist planned economy and it serves to promote socialist economic prosperity and development. If we want to reform our planning system resolutely and step by step, we must first consider the question of a correct understanding of the socialist planned economy. This economy is an economic system which differs from the market economy based on private ownership of the means of production and marked by blind capitalist competition. It is based on the public ownership of the means of production. The state sector is the leading factor in this economy. The state can exercise centralized planned management over the national economy. The socialist planned economy also differs from the communist planned economy based on ownership of the means of production by the entire society and marked by direct allocation of products. In the socialist planned economy, the production and exchange of commodities exist, and the production, circulation, and distribution of material things must still be carried out in the form of exchange of value. We have already instituted public ownership of the means of production. However, the level of development of our country's social productive forces is still low, and the coexistence of many varied socioeconomic sectors will continue to be a long-term historical phenomenon. At the present stage, the socialist production of commodities is still not well developed in China, and under the guidance of state planning, we must vigorously develop the socialist production and exchange of commodities. Therefore, not only must the reform of our planning system be compatible with the general requirements of the socialist planned economy, but in launching this reform, we must consider certain characteristics of our socialist planned economy, integrate Marx' general principles of the planned economy with China's economic reality and gradually establish a socialist planned economy with Chinese characteristics.

The planning system is a specific system and form of planned national economic management by the state planning system. The planning system and the planned economy are closely related but not identical. If we adhere to socialist public ownership, adhere to having the state sector of the economy as the leading

factor, adhere to centralized and planned state management of the socialist economy, and vigorously develop the socialist production and exchange of commodities under the guidance of state planning, then we are effectively adhering to the most essential aspect of the socialist planned economy. As to certain aspects of the planning system which are not compatible with socialist economic development, including some specific forms and methods of planning management, these should undergo a reform.

The aim of this reform is to perfect and promote the development of the socialist planned economy so that a balanced development and steady growth of the national economy can be more satisfactorily ensured. Therefore, we must not think that appropriately reforming certain aspects of the planned economy amounts to weakening and negating the planned economy; we must not think that only certain methods of planning management, but not others, are characteristic of the planned economy. In the light of various circumstances of economic development, we must adopt many varied methods and forms of planning management, forms and methods which are suited to various links of reproduction and various enterprises under different kinds of ownership. We must not treat different things as the same; neither must we "categorize things according to a simplistic criterion like using a knife to cut something into two distinct halves."

The socialist planned economy must undergo a process of continuous perfection and development; likewise, planning management must also undergo a process of gradual improvement in standard. In the reform of our planning system, it must be made clear that the state must grasp the major aspects as well as full-scale comprehensive equilibrium in its planned management of the national economy. There should be some relaxation of control over the production activities and operation of enterprises in general, except for those enterprises directly managed by the central authorities. In the light of the objective requirements for economic development, the departments of overall planning should put forth socioeconomic development strategies for specific periods and draw up rational industrial policies and investment policies; in the light of social needs, they must readjust industrial and investment structures; they must conscientiously achieve balance between receipts and payments in finance, credits, and foreign exchange, as well as balance in major goods and materials; they must comprehensively use economic levers and other regulatory means to regulate social production and social demand. In coordination with the departments of overall planning, the departments in charge of specialized economic work should satisfactorily formulate plans for, coordinate, serve, and supervise various occupations and gradually put an end to the isolation of various sectors from one another. To achieve this, we should assign power over achievement of comprehensive equilibrium to departments of overall planning and correspondingly define these departments' responsibilities in achieving comprehensive equilibrium so that over the entire society, overall balance can be achieved between the production of and the demand for both the means of production and the means of subsistence. In achieving comprehensive equilibrium, we must leave some margins; we must not strain our resources or even leave some gaps unfilled. We must proceed from our existing national resources and work according to our available financial and material resources. Moreover, we must correctly handle the relationship between the people's livelihood, current production, and capital construction, as well as the relationship between the speed of economic development and economic results; we must devote our efforts mainly to improving microeconomic and macroeconomic results.

The main reasons for the hitherto unsatisfactory planning for comprehensive equilibrium are, first, there are numerous planning and policy formulation organs, and second, there are shortcomings in planning work. In financial planning, attention has been paid to budgeted items alone at the expense of unbudgeted items; in planning for investment in fixed assets, attention has been paid to the state's direct investment alone at the expense of social investment; and in planning for a balanced supply of goods and materials, attention has been paid to state enterprises, particularly those directly under the central authorities, at the expense of other enterprises. Therefore, in reforming our planning system, we must gradually establish a scientific planning and policy-making system and a scientific, comprehensive equilibrium system. In planning, there are two kinds of policy making: First, making strategic policies in macroeconomic planning in order to provide guidance and point out an orientation; second, formulating major policies and measures in the implementation of plans in order to cope with changes in the circumstances. In fulfilling 5-year plans or annual plans, comprehensive equilibrium must be achieved under the guidance of correct strategic macroeconomic plans. After the major proportional relations and relations of equilibrium related to the overall national economy have been determined, if major economic measures have to be formulated in the light of the condition of economic operation, then the formulation of these measures must be based on the overall situation of comprehensive equilibrium as prescribed by state planning and must be limited by comprehensive equilibrium; the various sectors concerned must not just care about themselves, "each sounding its own bugle and singing its own tune." Otherwise, financial and material resources will get into an imbalance, various sectors will vie with one another for resources, and the train of economic operation will bump along with fluctuations or even lose balance, resulting in disproportion or even engendering great potential dangers. To prevent blind policy making, we must establish a rigorous system of responsibility for decisionmaking in planning; in particular, in capital construction there must be a clearly defined system whereby specific individuals are responsible for various stages of projects, ranging from initiation, examination, approval, designing, implementation, and operation after completion. If the results are good, there must be rewards for the personnel concerned; if the results are poor, causing the state to suffer great losses and waste, the personnel concerned should bear the administrative and legal responsibility.

In plan formulation and planning for comprehensive equilibrium, directive plans should be drawn up in areas directly governed by state plans, including capital construction projects directly planned by the state, the distribution and allocation of essential means of subsistence, materials, and raw materials, the centralized state pricing of essential means of subsistence and means of production, the total amount of loans for investment in fixed assets, the issuance of currency, and so on. In other areas governed by indirect planning, the state should promote decisionmaking in planning and the achievement of comprehensive equilibrium mainly through its economic policies and through a comprehensive development of the role of economic levers. Through a classification of various categories of taxes, the fiscal revenue and expenditure of the central authorities must be clearly distinguished from those of the localities, and the relations of distribution of income between the state and the enterprises must be clearly defined. The markedly irrational prices of some

means of production must be gradually readjusted. The pricing of essential means of subsistence must be rigorously controlled, while the control over the pricing of minor commodities can be slightly relaxed. Certain categories of taxes must be restored and some new categories of taxes should be introduced. Tax rates and interest rates of bank loans must be rationally readjusted. The scale and orientation of various localities' investment in fixed assets, the industrial structure and the composition of products, and the overall level of social consumption must be regulated. A system of planning for specific areas must be gradually established so that the role of regulation by planning can be more satisfactorily brought into play and the standard of planning management can be raised. Not only must plans be drawn up for specific areas in long-term and medium-term planning, but annual planning must also include plans for various important specific areas, such as economic regions, the distribution of productive forces, the development and utilization of resources, the construction of large-scale and medium-scale projects, the renewal and transformation of fixed assets in various individual industries, the replacement of old generations of important products by new ones, the development and popularization of new technology, the reorganization of enterprises and cooperation between enterprises, and so on. Of particular importance are the upgrading of products, the replacement of old generations of products by new ones, and the renewal and technological transformation of equipment. In addition to satisfactorily planning for comprehensive equilibrium, the planning departments at various levels should pay attention to the formulation of plans for specific areas and put forth major economic tasks for specific periods which are related to specific targets, as well as methods of implementation; they must confine themselves only to the distribution of money and material resources. Only thus can state plans be implemented where they can yield solid results and only thus can the targets of economic development be concretely made clear, so that the role of planning management as a "locomotive" can be more satisfactorily brought into play.

We must gradually reform the planned targets system and the planning methods. We must try to rely mainly on net output value targets and sales targets and to supplement them with other targets for assessing the enterprises' production activities and operation. We must introduce various new categories of technological-economic targets which incorporate fixed quantities or quotas so that the enterprises are led to devote their efforts mainly to improving economic results instead of one-sidedly going after a high total output value or a high speed of development. The directive targets governing output, assigned by the state to lower levels, should be fewer and should be highly centralized; the figures stipulated by these targets should not be continually boosted as they are passed down to successively lower levels. The scope of guidance planning can be extended. Where possible, guidance targets should be assigned to lower levels; otherwise, economic information can be furnished and the trend and orientation of development can be pointed out. To maintain the relative stability of planning, there must be some scientific and relatively stable long-term and medium-term plans. Successive 5-year plans must be compatible with one another; so must successive annual plans as well. The production activities and operation of enterprises should be based on economic contracts. According to state plans or under the guidance of state plans, the enterprises can formulate on their own annual plans for production and operation, take the initiative to make production, supply, and marketing compatible with one another, and develop the role of economic contracts in planning management.

ECONOMIC PLANNING

YAO YILIN PRESIDES OVER ECONOMIC CONFERENCE

OW101912 Beijing XINHUA in English 1502 GMT 10 Feb 84

[Text] Beijing, 10 February (XINHUA)--Major targets for China's economic development in 1984 were announced at the opening session of a national economic work conference here today.

The country plans to achieve a 4 percent increase this year over last in agricultural output value, Lu Dong, vice-minister of the State Economic Commission, said.

The corresponding increase for industrial output value will be 5 percent, 8.1 percent for the total volume of retail sales and 8.8 percent for the state revenue.

Lu Dong said that China would in 1984 import 1,000 items of technology. "Technical importation is the most effective way of catching up with the world's advanced levels," he said.

In order to fulfill the 1984 economic plan, Lu Dong said, the consolidation of 3,116 major state-owned enterprises will be completed this year. Efforts will be intensified to promote technical progress and improve the quality of industrial products while developing new products.

The country plans to save energy equivalent to 18 million tons of standard coal in 1984.

The vice-minister said that China's economic performance had been better year by year.

The conference, the first of its kind in the country, will discuss how to improve the quality of enterprises and their economic efficiency to help ensure a continuous, stable national economic growth.

The policy of concentrating all efforts on improving economic efficiency will continue in 1984, Lu Dong emphasized, noting that high consumption of fuel and materials, low quality and unsatisfactory economic results are the central problems to be solved in Chinese enterprises.

Vice-premier Yao Yilin presided over the opening session of the conference which was called by the state council.

AGGREGATE ECONOMIC DATA

REFERENCE MATERIALS FOR STUDY OF KEY CONSTRUCTION PROJECTS

Beijing TONGJI [STATISTICS] in Chinese No 9, 17 Sep 83 pp 7-8

[Charts compiled by the TONGJI Reference Room: "Reference Materials for the Study of Key Construction Projects Strengthened by Concentrated Financial and Material Resources"]

[Energetically develop statistical and analytical work in the area of economic results!]

I. The Main Proportional Relationships in the National Economy

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
1. Output values of agriculture, light industry and heavy industry as percentages of gross industrial and agricultural output value					
Agriculture	27.8%	29.7%	30.8%	32.5%	33.6%
Light Industry	31.1	30.7	32.6	34.7	33.4
Heavy Industry	41.1	39.6	36.6	32.8	33.0
2. Output values of light and heavy industry as percentages of gross industrial output value					
Light industry	43.1	43.7	47.2	51.5	50.2
Heavy industry	56.9	56.3	52.8	48.5	49.8
3. Output values of agriculture, forestry, animal husbandry, sideline occupations and fishing as percentages of gross agricultural output value					
Agriculture (crops grown)	67.8	66.9	63.7	63.2	62.7
Forestry	3.0	2.8	4.2	4.2	4.1

Animal Husbandry	13.2%	14.0%	15.3%	15.2%	15.5%
Sideline Occupations	14.6	15.1	15.1	11.7	11.6
Brigade Industries as sideline occupations	11.7	12.5	11.2	11.7	11.6
Fishing	1.4	1.2	1.7	1.7	1.7

4. Saving and consumption as percentages of national income used

Saving	36.5	34.6	31.6	28.5	29.0
Consumption	63.5	65.4	68.4	71.5	71.0

5. Production and non-production percentages of investment in capital construction

Production investment	79.1	69.8	64.3	57.0	54.5
Non-production investment	20.9	30.2	35.7	43.0	45.5
Non-production investment in housing	7.8	14.8	20.0	25.1	25.4

6. Percentages of capital construction investment put into agriculture, light industry and heavy industry

Agriculture	10.6	11.1	9.3	6.6	6.1
Light Industry	5.8	5.9	9.1	9.8	8.4
Heavy Industry	48.7	43.2	40.2	39.0	38.5

7. Percentages of capital construction investment put into energy and communications

Energy (coal, electricity, oil)	22.7	21.0	20.6	20.6	18.3
Communications, transportation, post and telecommunications	13.6	12.2	11.2	9.1	10.3

8. Revenue as percentage of national income

	37.2	31.9	28.3	20.8	25.5
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9. Percentages of expenditures on culture, education, health and science

	10.1	10.4	12.9	15.4	17.1
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Note: In item 3, the percentages for 1978-80 were calculated on the basis of 1970 prices, while those for 1980-82 were calculated on the basis of 1980 prices. All others were calculated on the basis of prices during the year in question. Items 6-7 are divided according to sectors of the national economy. In Item 8, revenue does not include foreign loans.

II. Comparison of Economic Growth Rates to Those of Increased Consumption by the People

	<u>Gross Social Output Value</u>	<u>National Income</u>	<u>Social Labor Productivity</u>	<u>People's Con- sumption Level</u>
Average Annual Increases				
First 5-year Plan	11.3%	8.9%	6.5%	4.2%
Second 5-year Plan	- 0.4	- 3.1	- 4.7	- 3.3
1963-1965	15.5	14.7	11.1	8.4
Third 5-year Plan	9.3	8.3	4.3	2.2
Fourth 5-year Plan	7.3	5.5	3.2	2.1
Fifth 5-year Plan	8.2	6.0	4.2	4.8
1953-1982	7.9	6.0	3.5	2.9
1979-1982	7.5	6.3	3.6	7.2
1978	13.1	12.3	11.4	5.1
1979	8.5	7.0	5.5	6.7
1980	7.9	6.1	3.5	9.7
1981	4.7	4.8	4.8	7.3
1982	9.0	7.4	0.7	5.1

Note: Social labor productivity refers to the national income created by the laborers of each materially productive sector.

III. Revenue as Percentage of National Income

	<u>Percentage</u>
1952	29.5
1957	32.5
1965	34.1
1970	34.4
1975	32.6
1978	37.2
1979	31.9
1980	28.3
1981	25.8
1982	25.5
Annual Average of First 5-year Plan	32.7
Annual Average of Second 5-year Plan	38.6
1963-1965	34.2
Annual Average of Third 5-year Plan	31.5
Annual Average of Fourth 5-year Plan	34.4
Annual Average of Fifth 5-year Plan	32.3

IV. Percentages of Investment in State Capital Construction Coming From Within and Without the Budget

<u>Time Period</u>	<u>Investment (100,000,000 yuan)</u>			<u>Percentage of Total</u>	
	<u>Invest</u>	<u>Budgetary</u>	<u>Extra-</u>	<u>Budgetary</u>	<u>Extra-</u>
	<u>Total</u>	<u>Investment</u>	<u>Budgetary</u>	<u>Investment</u>	<u>Budgetary</u>
			<u>Investment</u>	<u>Investment</u>	<u>Investment</u>
First 5-Year Plan	588.47	531.18	57.29	90.3	9.7
Second 5-year Plan	1,206.09	944.38	261.71	78.3	21.7
Third 5-Year Plan	421.89	371.74	50.15	88.1	11.9
Fourth 5-Year Plan	1,763.95	1,454.72	309.23	82.5	17.5
Fifth 5-Year Plan	2,342.17	1,808.49	533.68	77.2	22.8
1978	500.99	417.37	83.62	83.3	16.7
1979	523.48	418.57	104.91	80.0	20.0
1980	558.89	349.27	209.62	62.5	37.5
Sixth 5-Year Plan					
1981	442.91	251.56	191.35	56.8	43.2
1982	55.53	276.67	278.86	49.8	50.2

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JOURNAL VIEWS PRESENT SYSTEM OF STATE-ENTERPRISE PROFIT SHARING

Chengdu CAIJING KEXUE [FINANCE AND ECONOMICS] in Chinese No 4, 20 Sep 83 pp 9-13

[Article by Yuan Yusheng [0337 3023 4141]: "Correct Handling of Profit Distribution between State and Enterprise"]

[Text] The 12th Party Congress presented to the Chinese people a grand blueprint for socialist construction with typical Chinese characteristics. A serious obstacle to the realization of this grand strategy is the contradiction between key economic construction projects and the dispersal of financial resources and insufficient funds. To resolve this contradiction, one of the important tasks is the correct handling of profit distribution between the state and the enterprises. According to the general task of socialist construction in our country and on the basis of consolidating the preliminary success gained in restructuring the system of financial management in the past 3 years and more, summing up our experiences and streamlining the relationship in profit distribution between the state and the enterprise will not only help in an appropriate centralization of funds and a closer unity of responsibility, rights and interests but also arouse the enterprise's enthusiasm in production and business operation and further revitalize the economy. This will also enable the restructuring to continue its advance to the goal of national prosperity and higher material and cultural standards of living for the people.

How Profits Were Distributed in the Past 3 Years

Experiments in restructuring the system of economic management have been carried out in state-run enterprises since 1979. One of the important problems is how to handle correctly the profit distribution between the state and the enterprises. Experiences over the past 3 years and more showed that the restructuring has been a success and that both the orientation and the methods were correct. However, because of our inexperience, some excesses in profit sharing were committed by the state-run enterprises during the financial restructuring.

In the 3 years from 1979 to 1981, the gross value of industrial output in the country and the national income increased every year. However, while the retained profits of state-run enterprises continued to increase, the state's revenues declined year after year. The gross value of industrial output, the national income, the proportions of state revenues and the shares of profits retained by industrial enterprises in the country are shown in the following table.

	<u>1979</u>	<u>1980</u>	<u>1981</u>
National gross value of industrial output	+8.5%	+8.7%	+4.1%
Increase in national income	+7%	+6%	+3%
State revenues	-1.6%	-1.7%	-1.9%
Profits retained by industrial enterprises	14.5%	16.75%	19.3%

As we know, the amount of profits retained by the enterprises in the 4 years from 1979 to 1982 totaled some 45 billion yuan, including 6 billion yuan in 1979, 10.2 billion yuan in 1980, 11.8 billion yuan in 1981 and 17 billion yuan in 1982. The increase continued every year.

According to the distribution of the increased profits in 1979, 15 percent were handed over to the state by state-run enterprises (excluding those engaged in the military industry), 41 percent went to the enterprises and 44 percent went to the workers. In 1980, the proportion of increased profits for the enterprises and workers was higher than that in 1979.

The way that retained profits of state-run enterprises were used, as we can see, did not entirely conform to the requirements of a planned economy, as shown by the duplicate construction and duplicate production resulting in an excess of supply to demand for some products. Furthermore, funds from this source were used to expand construction projects, leading to competition with the state's construction projects for the "three materials" [steel, cement and timber] and hindering the state's key projects. Some enterprise projects were started without due investigation and study, and because of the short supply of raw materials and electric power, these projects cannot be put into operation even though the productive capacity has been enlarged. In some cases, funds were excessively spent on collective welfare and bonuses with adverse effects on the technical transformation of the enterprise.

In the distribution of total profits of state-run enterprises, the increase in the enterprises' share is mainly attributed to the following factors:

First, there are too many methods of profit sharing by state-run enterprises, and they are free to choose whatever is most advantageous to themselves. In the past 3 years, besides the enterprise funds, there were more than 20 methods under different names, and new methods are still emerging. The enterprises are permitted to choose their own method in the name of expanding the scope of experiments, and their choice is decided by considerations of their own benefits. Thus some enterprises used the method of sharing the total profits in the first year, that of sharing the base quota at one ratio and the surplus profits at another ratio in the 2d year, and that of contracted quotas for profit and loss later. The proportion of their shares continued to increase. Some enterprises even adopted two methods simultaneously and obtained a double share.

Second, during the financial restructuring, enterprises can obtain loans to purchase their equipment for production, and the profits thus obtained can be used to redeem loans. Now, the profits are divided among three parties. According to our experiences in restructuring in the past 3 years, the amounts taken out of these profits for loan redemption have increased every year with corresponding decreases in the state's share. In Sichuan Province, the distribution of industrial profits among the three parties in the past 3 years (the enterprises' shares included those of county-run "five minor industries") are shown in the following table:

	<u>1979</u>	<u>1980</u>	<u>1981</u>
State's share	68.17%	59.88%	54.46%
Enterprises' share	16.92%	22.74%	26.03%
Profits used for loan redemption	14.91%	17.38%	19.51%

Third, for their shares of profit, some regions did not confine their calculations to those items stipulated by the state, but introduced new items. Consequently, although the figures they started were already high, their shares could only increase but not diminish along with the development in financial restructuring. That is why the proportions of retained profits continued to increase. For example, the increased profits derived by an enterprise from the new technology, new techniques and new equipment were entirely retained in the first 2 years. Again, although there are designated sources of funds for educational purposes, some regions have appropriated educational funds from their profits in amounts equivalent to 1-1.5 percent of their payrolls. These are some of the causes for excessive retention by the enterprises. According to the state regulations, the profits to be retained by enterprises cannot be more than 40 percent. However, in some experimental units in certain regions, they were as high as 50 or even 70 percent. In effect, the increased profits were basically retained by the enterprises.

Fourth, some enterprises, in violation of financial and economic discipline, have ignored the limits set by the state on expenses to be included in the production cost. They charged expenses indiscriminately to cost, which they used as a means of regulating profit retention. Some individual enterprises also violated accounting principles in the calculation of production costs. Instead of the "system of accounting on an accrual basis," they used the "system of cash receipts and payments" and gave a fictitious appearance to the production costs. In some cases, expenditures on capital construction or the use of special funds were all charged to production costs. Some enterprises, although incurring losses, wanted to pay bonuses, and the savings from fraudently reduced production costs became the dividends of party secretaries and factory directors.

Fifth, because of the indistinct demarcation between the theory of "letting a hundred schools of thoughts contend" and the party's general and specific policies, people could have only vague ideas of the essence of a socialist planned economy. From the mistakes brought to light in the past, some people

have gone to the other extreme of decentralism. Some have advocated the relegation of state-owned enterprises to the system of collective ownership; others have stressed the "theory of an enterprise-based economy." This has given rise to localism, departmentalism and individualism, resulting in competition with the state for every penny.

During the financial restructuring, the retained profits stipulated by the state are by no means high, and the basis for profit retention is only limited to the "three funds and three expenditures." Enterprise funds account for 5 percent of the payroll, and with the addition of welfare funds and bonus funds, the total comes to only 28 percent of the payroll. Only the "three expenditures (on the trial manufacture of new products, on workers' training and on scientific research) are new items, but their proportions are not high either. Therefore, the proportion of retained profits as a whole cannot be considered high. This proportion has gradually increased, and the state revenues have correspondingly decreased mainly because the regions and trades have created new items for themselves and the increased profits thus created were retained by the enterprises every year. If the unjustifiable items are eliminated, it is believed that the state's revenues will increase to approximately 15 percent of the state-run enterprises' total profits.

Summing up Experiences, Continuing to Advance

The distribution of state-run enterprises' profits must conform to the principle of correctly handling the economic interests of the state, the enterprise and the workers. However, the proportion of profit distribution within a certain period cannot remain unchanged and should be decided on the basis of the overall national economic situation and characteristics of production development among the enterprises. National economic development basically includes two stages: the stage of economic readjustment and the stage of vigorous economic development. Accordingly, there should be two margins for the ratios of profit sharing, namely, the rational margin and the maximum margin. The ratios may vary between these two margins according to national economic development and the enterprises' production requirements. At present, based on the experiences of our national economic development and financial restructuring, the following four tasks must be accomplished in order to perfect the system of profit distribution.

First, establish the concept that state interests come first and improve the enterprise's overall economic results.

In the distribution of enterprise profits, the state's interests must be first considered. The state needs funds for the development of transportation, energy and other key projects in order to open a new prospect for socialist construction and to quadruple the gross value of industrial and agricultural outputs. No further reduction in capital construction investment can meet the needs of economic development in our country. The progress of key construction projects of the state should be advantageous for the enterprises' development. The products of state-run enterprises all belong to the state which represents the interests of all the people, and the major portion of state-run enterprise profits should be handed over to the state. Therefore, we must first stress the

enterprises' economic responsibility and their contributions to the state, and these enterprises should support the state's economic construction program with their financial resources.

In the distribution of enterprise profits, we must meet the requirements of the national economy as well as those of the enterprises in technical transformation and the promotion of workers' welfare. In the past, the main problem of state-run enterprises was the lack of vitality. Now, the restructuring of the financial system has increased the financial power of enterprises and protected their legitimate retention of profits. It serves as a motive force to arouse the enthusiasm of enterprises to improve their operation and management and can help revitalize the economy. Under the present conditions of production, more funds are certainly required to undertake what has been overdue and to meet the needs of future production development. However, since state funds for the enterprises are limited, the basic solution of this problem lies in the tapping of internal resources, we should rely, first, on advanced science and technology and, second, on scientific management.

Second, proceed from realities and set ratios of profit sharing and the system of economic responsibility at all levels.

After summing up our experiences in restructuring the financial administration system in the past 3 years, setting ratios of profit sharing according to the state's financial resources and the enterprises' reasonable requirements calls for not only a quantitative but also a qualitative margin. In a general accounting of the national financial resources, we should include not only the "two funds" (enterprise fund and enterprise bonus fund), the "three expenditures" and the economic benefits to which the enterprises are entitled. At the same time, we should properly account for the reduction of special allocations following the expansion of the enterprises' decision-making power. As for the amount of enterprise funds required, we should first determine the nature of their use. For the enterprise, the amount should be limited to what is required for intensive expanded reproduction, and for the workers' collective welfare and bonuses, it should be limited to what is required for gradual improvement. There must be no excessive demand. We owed many debts in the past; now we can only repay them gradually, not all at once. We must integrate the national financial resources with the enterprises' needs, with the former in the leading position, and set a minimum ratio for profit distribution. According to experience, all irrational retentions in the past 3 years should be abolished. However, the enterprises should still get the economic benefits they deserve, such as profits from products for the treatment of "three wastes" and from the transfer of technologies.

In order that the ratio of profit sharing not be exceeded, the provincial, municipal and county finance and economic commissions and the departments in charge were required to practice the system of economic responsibility. Any unit which has attained the goals of the planned economy set by the state without exceeding the ratio of profit sharing and has increased their profit delivery and tax payment should be rewarded spiritually and materially, while those failing to complete their tax payment and profit sharing plans will be punished, even though they have not exceeded the ratio of profit sharing. A

system of economic responsibility should be set up at all levels. The system under which the enterprises are required to "produce good results under any circumstance," even though the administrative leaders at all levels are absolved from any economic responsibility, must be abolished.

Third, set up different ratios of profit sharing for different regions and trades and abolish the system of one ratio for each unit.

Experiments in the expansion of financial power for enterprises have been gradually popularized and the methods of profit distribution are now many and varied. In most cases, individual ratios are worked out for individual enterprises or individual groups of enterprises. This practice lacks uniformity and is sometimes unfair to those operating under unfavorable conditions. There is no link between the retained profits and the results of management, and therefore no incentive for the advanced units and no spurring on of the backward ones. That is why in carrying out readjustment, we should change over to the method of setting up different ratios of profit sharing for different regions and trades.

In the nation as a whole, different regions have developed their production up to different levels. Some of them are advanced, others are backward. That is why the rates of profit sharing cannot be the same. The ratio for the industrially advanced regions should be a little lower; for the regions where the level of production is low, the ratio should be a little higher. This means preferential treatment for the backward regions and should help promote their economic development.

The profit rates on funds among different trades are also greatly different. In view of the present irrational pricing system, it is also necessary to set different ratios of profit sharing according to different profit rates on funds in different trades. Where the profit rates on funds are higher, the ratios for profit sharing should be a little lower, and vice versa. This will eliminate inequities in profit sharing caused by such objective factors as prices and conditions of natural resources.

Fourth, reform the system of using profits to redeem loans.

During the restructuring of the financial system, profits derived from newly installed production equipment are used to redeem loans. This means the use of loans as a lever to strengthen supervision and to achieve better utilization of enterprise funds, and some enterprises have shown good results in this respect. However, some enterprises under poor management did not conduct an adequate feasibility study in the acquisition of new equipment, while the examination and control of loans were not strict enough. Thus the loans continued to accumulate year after year, and the state's revenues continued to drop, resulting in a situation of "enterprises obtaining loans, the state redeeming loans and the bank providing insurance."

In order that bank loans for production equipment can play their role as an economic lever and, at the same time, the amount of loans can be controlled in such a way that all units will have their economic responsibility, we may

consider changing the current method of redeeming loans and require the departments in charge of the enterprises, or the companies, to redeem all loans out of the retained profits of the enterprises. This will increase the utilization rate of funds and help in technical transformation in the trade through overall planning and in a planned, selective and systematic way. It will also help increase output and income through the operation of new equipment and perfect the system of economic responsibility in the departments concerned. Therefore, we should first include this type of loan in the local plans to be granted through the construction bank and within the planned amounts. There will then be control over the amounts of loans, and this control will help maintain the balance in finance, credit and materials. Second, based on economic conditions, equipment conditions and the development needs of various trades, we will have the local equipment loans passed down to the departments in charge which will work out overall plans and separate arrangements in accordance with the equipment conditions and business levels of the enterprises as well as their ability to repay their loans. Third, the enterprises, the departments in charge and the banks should conduct careful feasibility studies and ascertain the requirements, economic benefits and reliability before granting the loans. If the loans are not properly arranged, all these three parties should bear certain economic responsibilities according to the conditions of production. Fourth, the departments in charge or the companies should possess part of the production development funds and share the increased profits derived from the use of new equipment. They will also be responsible for the bank loans granted for production equipment.

Strong Vitality of Tax Payment in Lieu of Profit Delivery

Facts derived from the experimentation with various forms of profit distribution in the past 3 years and more have proved that tax payment in lieu of profit delivery has strong vitality. Some 160 state-run industrial enterprises in the country have experimented with the system of "tax payment in lieu of profit delivery and assuming sole responsibility for profits and losses," and their gross output value, profits and taxes paid are far more than those of the industrial enterprises experimenting with profit sharing or with profit quotas. Enterprises in the former category have stood the test of economic readjustment. Some of them had only 30 percent of their planned tasks. However, by readjusting their production according to the market needs and improving their business operation and management, they fulfilled or overfulfilled their profit plans instead of reducing their gross output value. Thus they demonstrated not only their power to survive but also their great vitality in developing production.

Tax payment in lieu of profit delivery can help improve the system of economic responsibility and closely integrate responsibility, rights and interests. The link between economic benefits and the result of management in the enterprises can arouse enthusiasm in the enterprise, encourage technical transformation, improve product quality, accelerate the updating of products and promote production both in intensity and extent. The enterprises paying taxes in lieu of delivering profits first pay taxes at the established rates and then share the after-tax profits with the state. This arrangement is to remain unchanged for

3 years, and the enterprise will have a clear idea of its relationship with the state in profit sharing. The enterprise will feel some external pressure, since there is the risk of failing to retain any profit in case of poor business. At the same time, there is more driving force for them to improve their operation and to revitalize the economy.

Greater decision-making power for enterprises after the change from profit delivery to tax payment will enhance their sense of political and economic responsibility and encourage them to strengthen their internal management. It also enhances the workers' sense of being masters and provides a foundation of extensive democracy for enterprise management. The success or failure of the enterprise will closely affect every department and every worker and at the same time help train a contingent of capable managerial personnel.

The substitution of tax payment for profit delivery will effectively ensure a timely and balanced increase in state revenues. Taxes are compulsory and fixed; they cannot be reimbursed. The enterprises must pay their taxes on time and at the established rates. The shares of profits to which the enterprises are entitled should be affirmed in legal form so that both parties' interests will be protected by law. This will prevent the dispersal of financial resources and conform to the principle that the state gets the major portion, the enterprise gets the medium portion and the workers get the minor portion.

Substitution of tax payment for profit delivery will gradually eliminate unnecessary interventions to the enterprises from the local and departmental authorities working for their own economic benefits. It will liberate the enterprises from the fetters of both central and local authorities and facilitate economic readjustment and the development of specialized production. After the substitution of tax payment for profit delivery, it will be possible for both taxes and profits to play their role as economic levers more effectively. Through the types and rates of taxes and such measures as surtaxes, tax reduction and tax remission, we can regulate economic activities, implement economic policies, tap the enterprises' potential and improve their economic results.

Substitution of tax payment for profit delivery can also promote the restructuring of the economic system.

In his report before the Fifth Session of the Fifth NPC, Premier Zhao Ziyang pointed out: "The substitution of tax payment for profit delivery should be affirmed as a positive measure. Such reform should, however, be carried out step by step on the merits of each case." The decision that there should be two steps for large- and medium-size state-run enterprises in this substitution is a correct one. As the first step, the large- and medium-size profit-making enterprises will pay taxes on a larger portion of their profits, and there will be both taxation and profit sharing. After paying 55 percent of their profits as income tax, the remaining portion will be shared with the state at reasonable ratios.

In the case of small enterprises, the state will collect taxes while the enterprise will pay for the use of state funds and assume sole responsibility for its

own profits and losses. The second step, to be taken when conditions are mature, provides for the collection of a progressive income tax and other taxes from part of their profits.

The reason for taking two steps are: First, since the economic readjustment is going on in the country and the orientation of some enterprises is not yet determined, the supply of raw materials and power is not yet regular, and the channels for some products' circulation are not wide open. Second, the pricing system still needs readjustment. Because of the many irrational aspects of the current prices, the profit level for different localities, different trades and different regions may vary a great deal. If all the enterprises are required to pay their taxes in the same way, some of them may retain too much profit while others may not even be able to keep their legitimate shares. This will not help revitalize the economy. Third, internal reorganization is still necessary for some enterprises. They also need to set up and perfect the system of economic responsibility, strengthen the basic work of economic management and create the necessary conditions for regular production.

At present, the large- and medium-size state-run enterprises have decided to enlarge the portion of their profits to be taxed and will share their profits with the state in addition to paying taxes. This should overcome the difficulty of dispersed financial resources and help in distributing enterprise profits in a rational way and in implementing the principle of simultaneous considerations for the state, the enterprise and the workers. First, it ensures more revenues for the state. Second, it protects the enterprise's legitimate economic benefits. Third, it suits the present policy of readjustment, restructuring, consolidation and improvement, and of stabilizing the economy. It also helps reform the pricing, taxation and wage systems. Fourth, this method is simple, because after ascertaining a reasonable profit level for the enterprise, it will be simple and convenient to calculate the amounts of taxes and profit to be turned in to the state.

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ECONOMIC MANAGEMENT

INQUIRY INTO SCOPE OF INVESTMENT IN CAPITAL CONSTRUCTION

Beijing CAIZHENG YANJIU [FINANCIAL AFFAIRS] in Chinese No 5, 30 Sep 83 pp 24-28

[Article by Zhang Manxing [1728 3352 5281]: "An Inquiry into the Problem of Controlling the Scope of Investment in Capital Construction--A Discussion of the Reasons for Runaway Scope of Investment in Capital Construction in Qinghai and the Measures to Control It"]

[Text] China's investment in fixed assets in 1982 was the highest since the founding of the People's Republic. In succession, RENMIN RIABO, JINGJI RIBAO and other newspapers and journals carried editorials and articles pointing out that control of the scope of investment in fixed assets is a glaring problem in current economic work that must receive serious attention. Let us now discuss some basic things about the situation in Qinghai.

I.

In the 30-odd years since the founding of the People's Republic, the CPC's solicitude, the state's support and the hard work done together by the peoples of each nationality have combined to expand construction greatly in Qinghai. Backward features of the economy, culture and other areas have undergone earthshaking changes. Investment in the province's capital construction rose from 3.71 million yuan in 1950 to 719 million in 1982, while total investment reached 9.73 billion. Completed buildings of all kinds now total more than 20 million square meters in area, and the total of newly increased fixed assets is 5.72 billion yuan. These fixed assets, built and purchased by investment in capital construction, have both provided a material and technical foundation for expanded socialist reproduction in Qinghai and created the material conditions for improving the lives of the masses of people. Without doubt, Qinghai's results in capital construction are obvious to all.

Nevertheless, the price of our success has been too high. In other words, Qinghai's capital construction has such chronic problems as too much expenditure, too little work and overextension that so far have not been eradicated. They appear glaringly in the runaway scope of investment in capital construction.

The number of capital construction projects and their size determine the scope and speed of national economic growth; they also determine the improvement of the people's material and cultural lives. Capital construction, however, still possesses another characteristic discussed by Marx, namely, "over a fairly long period of time, some enterprises acquire a labor force and the means of production but during that time supply no effective product; other sectors not only constantly or frequently acquire a labor force and the means of production within 1 year but also supply the means of both subsistence and production. On a foundation of socially owned production, it is necessary to determine on what scale the former enterprises operate before losses by the latter can be prevented."¹ This characteristic determines the size of the scope of investment in capital construction. We must seek the truth and act according to our capabilities. We cannot arbitrarily increase the scope and extend ourselves. Looking at the historical experience of economic construction in Qinghai, we see that despite the province's inferior natural conditions, remote location, poor communications, economic and educational backwardness and major dependence on central government subsidies and transfers from other parts of China for financing, goods and materials, the scope of capital construction has long been too big. There have been too many projects and overextension. These are the main symptoms of the poor benefits derived from investment in capital construction.

Since the founding of the People's Republic, interference by "leftist" thinking made China impatient for success in economic construction in the "Great Leap Forward" of 1958, the "Three-line Construction" of 1970 and the "Getting Going and Going All Out" of 1978. China blindly pursued high rates of growth, and the scope of capital construction underwent three expansions. In these three periods of runaway investment in China's capital construction, Qinghai had an extremely glaring problem in the form of swollen investment in capital construction.

In order to "terminate Qinghai's defenselessness" and "go in for iron and steel in a big way" during the "Great Leap" of 1958, capital construction expanded. Its overall scope reached 368 million yuan, up 114 percent from 1957. The total included 185 million yuan in local financial allocations, or 57.1 percent of that year's expenditure. In 1959-60, the expansionary momentum of capital construction did not decrease, as average annual total investment topped that of 1958 by more than 100 million yuan. Local financial allocations for capital construction accounted for 60 percent of total expenditure in 1959.

During the "Great Proletarian Cultural Revolution" in 1969, the banner of "iron and steel take command" was hoisted once again, and some third-line factories and mines moved to Qinghai. Thanks to "go to the mountains, scatter and dig in" and "going all out for 'the five small industrial enterprises,'" the scope of investment in Qinghai's capital construction once again swelled. Total investment rose from 277 million yuan in 1969 to 311 million in 1970. Local investment in capital construction doubled between 1968 and 1969. Outlays for

¹ "Ziben lun" ["Capital"] Vol 2, pp 396-97.

capital construction reached 60.9 percent of total expenditure for the largest annual proportional increase ever.

In the first 2 years after the smashing of the "Gang of Four," the scope of Qinghai's capital construction once again swelled under the slogan of "going all out and catching up quickly." Total investment in capital construction was more than 300 million yuan higher in 1978 than in 1977, for an increase of 44.5 percent. It ballooned again to 969 million in 1979, nearly 300 million more than in 1978, for an increase of 43.6 percent. The 1979 total was Qinghai's highest ever.

These few runaway expansions in the scope of Qinghai's capital construction all violated objective economic laws. They so surpassed our actual resources in terms of money, material and labor that capital construction had to undergo several major adjustments. The result of these upward and downward movements was that things went contrary to our wishes—and haste made waste. Originally extremely weak, Qinghai's economy has suffered tremendous losses and has been saddled with their after effects. The main manifestations are as follows:

1. Fixed assets have a low rate of utilization. Statistics show that during 1950-80, investment in completed capital construction in Qinghai totaled 8.43 billion yuan and produced fixed assets of 5.12 billion for a utilization rate of 60.8 percent, about 10 percentage points below the country's rate of 70.4 percent for the same period. Because of this low rate, many projects are still under construction, and large quantities of construction funds are being spent on so-called "halfway" projects. In 1980 alone, investment in projects under construction in Qinghai reached 1.79 billion yuan, 2.58 times more than in projects completed that year. This was equivalent to 10 times the amount invested in local capital construction.
2. Losses and waste are great. In 30 years of investment in capital construction, 1.108 billion yuan—13.14 percent of all investment—have been invested to no avail. In 1981, Qinghai's state-run industrial enterprises realized an output value of only 28 yuan per 100 yuan in fixed assets, 6 times less than the national average and 21.6 times less than the country's highest rate. It is obvious that the results produced by Qinghai's fixed assets are too poor.
3. Project constructions costs are high. For the past 30-odd years, the cost per unit of area of completed buildings in Qinghai has been greatly increasing year after year. This is one cause of great expenditure and little work. It cost 73.3 yuan to build a square meter of building space in Qinghai in 1963 but 190 yuan in 1982, or 2.6 times more.

The above problems certainly have something to do with such factors as Qinghai's poor geographic conditions, extended communications and transportation and high-priced materials for capital construction, but their main cause is the losses and the waste produced by the runaway scope of capital construction.

II.

In capital construction, which is a weighty matter for the national economy and the people's livelihood, why is there runaway investment as soon as the situation is good? Why can't the repeated injunctions of the Party Central Committee and the State Council to control its scope be earnestly carried out? Why can't people remember the lessons learned from the major losses suffered by the national economy because of the swollen scope of capital construction? Based on the realities of Qinghai, I myself believe that the main reasons are as follows:

A. Lack of Overall Balance and Dovetailing in Planning Capital Construction

First of all, medium- and long-range planning of capital construction is out of joint with the annual plan. This year's plan does not complement that of last year and next year. Projects left over from last year that should be finished this year are left out of this year's plan. Thus there are no arrangements for financing, goods, materials, equipment and construction. This leads to many "half done" and "reckless" projects, overextended capital construction and poor results.

In addition, plans are made too rigidly, quotas are raised at each level and there are gaps in investment. Every year we hear that plans have margins when they actually have gaps. Instead of concentrating our forces for a war of annihilation, we are starting more and more projects. We are "adding some more spice." By reducing investment but not reducing the number of projects, we are "sowing broadly and reaping a thin harvest."

Finally, capital construction plans are incomplete. In terms of plan targets, each year we only pay attention to the investment within the state budget, while plans for self-planned capital construction only contain investment included in the controlled targets set by the state. Most of the latter plans are locally financed. In terms of sources of funds, we only pay attention to state and local allocations. As for reserve uncirculated capital funds, operating expenses, bank loans, utilized foreign capital and fragmentary additional financial allocations, as well as funds raised by departments and units, funds spent on capital construction have no targets and are uncontrolled. Looking at why local capital construction overfulfilled the plan in 1982, we see that 23.18 million yuan in reserve uncirculated capital funds were spent on capital construction, with the province giving 10 million in extra allocations. An additional 25.12 million yuan went into small-scale water conservations operating expenses and other capital construction. Bank loans accounted for 4.73 million yuan, while foreign capital provided 1 million. Although funds from so many sources went into capital construction, they were left out of the annual plan.

B. Lack of Economic Strategic Viewpoint; Violation of Capital Construction Procedures; Neglect of Economic Results

Given Qinghai's objective conditions, the lack of an economic strategic viewpoint has led to blindly launched projects, disregard of procedures in capital construction, arbitrary disposition of additional funds, exclusive concern for political needs and neglect of economic results. This lack is a major reason for runaway capital construction. Amid the sound of the slogans "joint efforts by the whole people" and "go all out and catch up quickly," we have long "paid tuition" without learning the real skills of economic construction. As soon as we have some money in hand we wander around blindly. Some people are fond of the grandiose. Eager for quick success and instant benefit, they only run after high growth rates and high targets. Like family heads who do not know that daily necessities are costly, they feel that anything less than several new and big projects in the areas, sectors and units that they run is almost failure. The saying that "more things undertaken mean more things done well" has become synonymous with the indiscriminate launching of capital construction projects. The sector you run is important, but the one I run is more important. Your project has urgent needs, but mine has more urgent ones. Upon mention of a doubling of output, there is a rush for large capital construction. Dominance by this kind of thinking can lead to disregard of procedures in capital construction and undertaking of projects solely on the say-so of leaders. Investing 190,000 yuan in a college's front gate embodies a national characteristic. A gymnasium's capital construction investment can jump from 2.95 to nearly 8 million yuan, and the project can require a full decade for completion. Not long after 1983's capital construction plan had been handed down, an authoritative conference decided that outside the plan, Qinghai should arrange more than 14 million yuan worth of capital construction projects.

C. Swollen Extrabudgetary Funds; Runaway Bank Loans

Because of the "each cooks on his own stove" financial system, in the last few years enterprises have had increased authority and a profit-retention system. The financial reserves of localities and enterprises have grown larger, and the total of extrabudgetary funds has risen steeply. According to statistics for the end of 1981, Qinghai had 309 million yuan in extrabudgetary funds, equivalent to 2.8 times the local revenue for that year. It is estimated that about 60 percent of these funds are in the name of developing potential, innovation and transformation and are spent on new capital construction projects.

Also, in recent years plenty of money for many projects has come in the form of small-scale capital construction loans, loans for the development of potential, innovation and transportation and medium- and short-term equipment loans from the Construction Bank, the People's Bank, the Bank of China and the Agricultural Bank. These loans strike a blow against control of the scope of capital construction. One particular problem is that since the People's Bank and Agricultural Bank in Qinghai have annual deposits of 750 million yuan more than their loans, some people advocate greater use of their money

to arrange construction in the province. This is a cause of the runaway loans for capital construction.

D. Lack of Unified and Coordinated Command and Management Setup

The present situation is one in which the Planning Commission generally arranges only the projects in the plan and "turns a blind eye" to projects outside the plan. If a project is in the plan, the Ministry of Finance arranges the funding for it. If it is outside the plan, it is funded as long as someone gives the go-ahead. The key to carrying out a project is to control allocations for projects in the plan, manage projects for the development of potential, innovation and transformation if one has deposits and not manage projects underway if one lacks deposits. Other sectors can avoid termination by the plan as long as they have money. They launch whatever project they want on as large a scale as they want. In this way, planning and management of capital construction are out of touch and uncoordinated with each other; they also lack mechanisms of true authority. Everyone must look after the control of the scope of capital construction, for in reality no one can do it alone. Otherwise, the results can only be as follows: one problem is solved, but then another crops up; projects in the plan are shelved while those outside the plan are launched; funds in the budget are cut while more are self-generated; there are fewer and smaller financial allocations but more and bigger bank loans.

III.

In the "Report of the Sixth 5-Year Plan," Premier Zhao Ziyang points out: "Strictly control the general scope of investment in fixed assets," and "the scope of investment in capital construction must be suited to national strength." At the same time, he represented the State Council in drawing up five stipulations for controlling the scope of investment. We must earnestly and firmly execute these stipulations. In light of Qinghai's realities, control of the scope of capital construction must begin with the following:

A. Quickest Possible Formulation of Stable Medium- and Long-range Plans; Guaranteed Continuity and Stability for Those Plans; Striking an Overall Balance

In summarizing the First 5-year Plan, Premier Zhou Enlai pointed out: "The quality of the plan had a major effect on conservation and waste, both of which were at their greatest when produced by the plan." Capital construction has long periods, and most of its projects need more than a year. Moreover, the scope of capital construction is directly affected by the state's financial, material and human resources. Therefore, mere dependence on annual plans cannot do the job well, and stable medium- and long-range plans are essential. Long-range plans must leave short-range plans some margin; 5-year plans must leave annual plans some margin while annual plans must do the same for their own execution. At the same time, we must draw up plans for regional economic development and strike a proper overall balance among the direction of economic development, economic structure, industrial distribution, growth rates,

accumulation and consumption. Only in this way can we avoid blindness and foolish zigzags. To develop regional economic advantages fully, we must correctly handle the relationship between the part and the whole, establish the idea that "the whole country is like a game of chess" and not have duplicate construction.

B. Formulation of Overall Plan for Financial Credit to Channel Extra-Budgetary Funds and Bank Loans into Existing Enterprises for Development of Potential, Innovation and Transformation

An overall plan for financial credit controls the use of extrabudgetary funds and bank loans; strictly delimits capital construction and the development of potential, innovation and transformation; stops the borrowing of the rubric of the development of potential, innovation and transformation; and carries out capital construction. All extrabudgetary funds and bank loans spent on capital construction projects must be included in the plans for that construction in order to arrange funding as well as the projects themselves.

From now on, allocations from the state budget should be focused on the construction of key projects in communications, energy and so on. General construction projects in sectors and regions should solve their funding problems mainly through extrabudgetary funds and bank loans, so that the state can make little or no investment.

C. Establishment of Responsibility System for Capital Construction; Strict Adherence to Procedures in Handling Capital Construction

For a long time, capital construction has gone without a strict economic responsibility system. Hence the capital construction we have grown accustomed to spending money and asking for more and to overspending it and wanting more. No one bears economic or legal responsibility for creating losses and waste. An erroneous decision or an unwise plan can inflict on the state losses ranging from the tens of thousands to the hundreds of millions of yuan, yet the economic interests of the individual decisionmakers might not be affected in the slightest. This is the reason why we have long been unable to put an end to foolish direction. Lenin said: "All large sectors of the national economy must be established above concern for individual interests. There must be joint discussions, and those in charge must be responsible."² Therefore, in the construction of a project we must adhere to procedures in reviewing plans, making decisions, allocating funds for construction and checking up on and accepting the completion of a project. We must also establish a responsibility system. If the reviewing process is not clear, there will be no designs. If the designs are bad, there will be no construction. If the construction is bad, there will be no acceptance of completion. Moreover, there must be rewards and punishments and clear distinctions between them.

² "Liening quanji" ["Complete Works of Lenin"] Vol 33, p 51.

ECONOMIC MANAGEMENT

PREVENTION OF FUNDS DISPERSION CALLED PRIORITY TASK

Harbin HEILONGJIANG RIBAO in Chinese 12 Oct 83 p 3

[Article by Qin Fengxiang [4440 7685 5046]: "The Prevention of the Decentralization of Funds Is a Matter of Top Priority"]

[Text] Since the 12th CPC National Congress, the Party Central Committee has repeatedly stressed the need for the centralization of funds to ensure the completion of key projects of construction. This major policy decision has an extremely profound bearing on the success of "the four modernizations" and on the basic interests of the people throughout the nation. First of all, the centralization of funds is essential to the maintenance of the system of a planned economy. It is only when the central government has the necessary funds under its control and when such funds are being properly allocated and put to use that the steady and coordinated development of the national economy under centralized planning can be assured. Second, the centralization of funds is also an objective demand at the present stage of economic development. Such key projects as energy and communications construction require the resources of the entire nation, which means that the central government must have under its control the necessary financial resources. We are, however, saddled with problems caused by the serious decentralization of funds. While the key construction projects of the nation are languishing because of the lack of funds, the localities, departments and enterprises are diverting large amounts of funds under their control into capital construction projects, thus increasing drastically the scale of capital construction in the nation and creating a situation where the planned projects are being shunted aside by unplanned projects, and key engineering projects are being crowded out by ordinary engineering projects. If things are allowed to drift along in this manner, it will not only be impossible to lay a sound foundation for the vigorous development of our economy, but the prevailing favorable conditions will also be lost, thus necessitating new readjustments all over again. For this reason a painstaking analysis of the specific factors contributing to the decentralization of funds and the prompt adoption of the necessary measures for the centralization of funds should be regarded as matters of urgency in our economic work throughout the nation.

The factors contributing to the decentralization of funds in our province may be seen in the five following areas: (1) Serious duplication of construction. For instance, while under the plan large wineries for the production of white

wine are lying idle for lack of raw materials, some 2,300 small wineries outside the plan are going ahead with production. While only 65 percent of the capacity of the plant factories under the plan is put to use, some 270 new and inferior factories outside the plan have emerged to crowd out the quality factories, contribute to the waste of raw materials and adversely affect economic effectiveness. (2) Misuse of funds for renewal and reform. According to statistics supplied by the concerned departments, 90 percent of the funds for renewal and reform in the province during 1980 and 1981 had been used to increase productive capacity. In the last couple of years, 40 to 50 percent of the investments have been used for increasing productive capacity and for erecting new structures. The result is that the original enterprises have to dip into their capital at the risk of sacrificing their economic effectiveness, while the new enterprises fail to recover their investments. (3) Confused state in the payment of subsidies. There are many money-losing enterprises receiving subsidies in our province. A state of confusion has arisen as a result of arrangements made by certain localities on their own for the payment of subsidies. Thus, subsidies continue to be paid to some enterprises which no longer suffer deficits. (4) Banks have lost control over loans. Loans for capital construction and for policy purposes extended by the banks in recent years have had a positive effect on promoting production and invigorating the economy. However, the amount has been too large, the rate of increase too rapid and the supervision and inspection too lax. Not only is the effectiveness of loans less than ideal, but the repayment of loans by the enterprises has also reduced considerably the amount which should be paid into the national treasury. Many enterprises have incurred heavy debts. Under circumstances which preclude the rapid increase in the profit of the enterprises, it would be most difficult for them to repay the entire amount of the loans within a short period of time. (5) Excessive number of items of payment. From January to June of this year alone, the enterprises under the machinery system in the province have paid various fees amounting to over 1.4 million yuan, or 7 percent of the profits made by the system for the same period, which cut deeply into the profits of the enterprises.

The above analysis shows the seriousness of the situation created by the decentralization of funds. Propaganda and appeals alone will not result in the centralization of funds. We must formulate specific measures which can stand up to the test. It is my opinion that five measures should be adopted at the present time. First, we must wage a good battle to reverse economic losses. The making of profits is basic to the accumulation of profits, and the improvement of the economic effectiveness of the enterprises is the basic way to bring about the centralization of funds. The low economic effectiveness in our province is due mainly to the heavy losses suffered by the enterprises. In 1982, half of the industrial, agricultural, commercial and food enterprises in our province suffered losses. The amount of the loss came to as much as 1.1 billion yuan, or 74 percent of the revenues accruing to the province. Thus, the various prefectures, departments and enterprises must rally to the battle cry of the provincial party committee to increase economic effectiveness, eliminate operational losses within the shortest period of time and reduce losses due to policy reasons to the very minimum. Second, we must increase tax revenues paid to the state by increasing certain tax rates to a suitable extent and by levying certain new taxes. Third, we must make a proper readjustment of the ratio

of profit retention by the enterprises for the payment of bonuses to staff members is too high. Bonuses should be reduced if relative stability is to be maintained. The part that exceeds the proper limit should be controlled by the levying of adjusted taxes or the adoption of other remedial measures. The agricultural enterprises must set a proper basic figure for the requisition by the state of subsidiary agricultural products. The ratio for the distribution of revenues to the state and the localities should be readjusted through the readjustment of tax payments and the readjustment of the subordinate position of the enterprises to ensure that the major share should go to the state. Fourth, price subsidies must be readjusted. With a view to promoting the development of agricultural production and improving the people's livelihood, the state has in recent years adopted a series of policies which have yielded very favorable results. These measures, however, are temporary measures adopted to tide over a period of readjustment. At a time when the development of production has reached a certain stage, when there has been an improvement in the livelihood of the people in the cities and rural areas and when the state is undergoing financial difficulties, subsidies should be reduced correspondingly. That can be done, for instance, by increasing the selling price of certain agricultural means of production and readjusting the buying and selling prices of certain subsidiary agricultural products. Fifth, control must be exercised over bank loans. Loans for capital construction and loans in the nature of a policy measure should be limited to the amount which the enterprises are in a position to repay or to the amount taken in by the enterprises for the same year. In making repayment for loans, the enterprises must make use of the increased profits generated by the loans or of their own funds instead of dipping into their capital. The lender and the borrower should be held jointly responsible if the loan fails to yield a profit.

In short, concrete measures in the areas of planning, administration, economics and the law must be adopted so that the centralization of funds can ensure that the needs for key constructions by the state are met.

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CSO: 4006/109

ECONOMIC MANAGEMENT

GUANGMING RIBAO ON INDUSTRIAL, COMMERCIAL REFORM

HK221432 Beijing GUANGMING RIBAO in Chinese 12 Feb 84 p 3

["Economic Forum" column by Fu Fengxiang [0265 0023 4382]: "We Must Sum Up the Experiences of Industrial and Commercial Reforms in Cities"]

[Text] Industrial and commercial reforms in the cities have been carried out for more than 4 years in our country. It is now necessary to sum up the experiences in order to go on advancing.

An enterprise, which is a basic unit for the production and exchange of social commodities, represents an active cell of the economic organism. For a long time in the past, two problems existed in the management of our enterprises. 1) Excessively rigid state control has bound our enterprises hand and foot and has resulted in their lack of vitality. 2) Excessively mild state control, the granting of generous terms, and the application of too little pressure have turned our enterprises into flowers in hothouses. In carrying out reforms, we should, first grant decisionmaking powers to the enterprises and invigorate them so that these people who have genuine skills and who are good at administration and management can display their abilities and tap the potential of the enterprises; second, we should exert some pressure on the enterprises and increase their duty to the state so that those people who muddle along by working perfunctorily and by relying on the practice of "everybody eating from the same big pot" find it impossible to drift along. Over the past few years, our practice, from giving greater decisionmaking powers to the enterprises and instituting the economic responsibility system to carrying out the contract system in a number of enterprises, has been aimed at invigorating the enterprises. The problem is that it is first necessary to solve in a satisfactory way the relationship between the state and the enterprise, to carry out the reform of the tax system, to make a basically clear distinction between the economic interests of both parties and then institute various forms of the economic responsibility system, to solve in a satisfactory way the relationships between various sectors of the enterprise, to link the income of the workers and staff members with the achievements of the enterprises, to correctly handle the relationships between the state, the enterprise, and the individuals, and to bring into full play the initiative of the workers and staff members. Otherwise, some enterprises will try every possible means to shift the burden onto the state or consumers. For some time in the past, following the institution of the contract system, some enterprises succeeded in making a lot of money without exerting much effort. In fact,

this is not due to their genuine skills but, rather, to the low base figures in the contracts resulting from the long-standing backwardness in the past or to unreasonable prices. In carrying out structural reform, it is necessary for similar enterprises throughout the country to compete under generally similar conditions so that the advanced enterprises have the vigor to give scope to their superiority, the intermediate enterprises have the motive force to aim high, and the backward enterprises are confronted with the pressure of being eliminated.

After invigorating the microeconomy, we should strengthen management and guidance over the macroeconomy accordingly. The various problems that have emerged in our economic life, such as carrying out duplicate and blind production, squeezing out the big with the small, weakening or departing from state unified planning, interfering in or splitting the unified socialist market, and indiscriminately issuing bonuses and allowances, and the practice of vying with each other in slashing prices and counteracting each other's efforts in foreign trade are due to the failure of the management measures of the macroeconomy to keep abreast of the situation. With respect to these problems, we are trying to solve them step by step by strengthening our management over the macroeconomy. Practice teaches us that like the invigoration of the microeconomy, strengthening and improving management over the macroeconomy constitutes an important part of the structural reform of the economy. In a certain sense, the management level of the macroeconomy determines the degree of our attainment in invigorating the microeconomy, while the starting point of strengthening and improving management over the macroeconomy should help invigorate the microeconomy and bring into play the initiative of production units.

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ECONOMIC MANAGEMENT

ECONOMIC INDEPENDENT FOR ENTERPRISES PAYS OFF

OW161053 Beijing XINHUA in English 0707 GMT 16 Feb 84

[Text] Beijing, 16 Feb (XINHUA)--The greater economic independence given to industrial enterprises since 1979 has paid off in continuously improving economic efficiency and increased workers' income at the capital iron and steel company in Beijing, according to Gao Bochong, the company's chief engineer.

The capital's experience as told by him to a national economic work conference has been acclaimed as of national significance.

Between 1979 and 1983, he said, the company increased its profits at an annual average rate of 20 percent. The monthly income of its 110,000 workers increased from 60 yuan to 89 yuan in wages and bonuses.

New System

The company is allowed to retain whatever is left after turning over to the state an amount of its profits. In 1979, it paid 270 million yuan to the state, and the profit to be delivered to the state is required to increase at an annual rate of 7.2 percent on this basis.

The new system developed as a refinement of methods tried from 1979 to 1981. During this trial period, the company was allowed to retain some of its profits after fulfilling output, profit and other quotas.

From 1979 to 1983, the company gave 1.386 billion yuan of its profits to the state, 87.5 percent more than in the previous five years. Of the 330 million yuan it retained, 60 percent was used to upgrade production. A further 20 percent went to improving fringe benefits while the rest was distributed to the company's staff as bonuses.

Improved Efficiency

With part of the money it retained, chief engineer Gao said, the company has computerized a mill producing three million tons of sintered ore a year and retooled three 1,000-cubic meter blast furnaces with modern facilities.

Altogether 42 renovation projects have been completed to improve the variety and quality of products while reducing consumption of energy and materials. The company now ranks first among similar iron and steel enterprises across China in 31 major comparable economic and technical norms, Gao said. It has reached world levels in four fields, including output coefficient of blast furnaces and converters.

Before 1979, the company had to hand over all the funds it earned to the government. Company officials once fought through red tape to get 400 yuan to buy a 7.5 kilowatt electric motor. Under the established rules, motors--no matter how small--were part of the fixed assets and, as such, their replacement had to be approved by higher authorities.

Some boilers and steam turbines imported in the early part of the 1920's are still used in the company, which was started in 1918 by Duan Qirui, a notorious warlord. If the old rules were not done away with, it would take another 60 years to get all these ancient machines replaced.

Better Fringe Benefits, More Income

The company now practices a system under which workers in its subordinate units are given additional bonuses equivalent to one tenth of their combined monthly wages when they overfulfill the assigned profit quota by two percent. In 1983, the bonuses amounted to 3.89 months' wages, Gao said.

Between 1979 and 1983, the company allocated 83 million yuan of its retained profit to building apartments of 500,000 square meters in floor space, equivalent to the total built in the 26 years prior to 1979.

National Trail Blazer in Industry

Wang Dazhong, director of the Beijing Municipal Economic Commission told the National Economic Commission that the company's experience would be introduced to 20 or 30 factories chosen to try out industrial economic reforms.

Voluminous reports and articles have been published about the company, now considered a national trail blazer in industry.

CSO: 4020/075

ECONOMIC MANAGEMENT

UNIVERSITY CONTRACTS ASSIST ECONOMY

OWO50805 Beijing XINHUA in English 0718 GMT 5 Feb 84

[Text] Beijing, 5 February (XINHUA)--In an effort to serve the national economy, 25 major universities and colleges in China have signed more than 50 long-term contracts and set up 30 entities combining teaching, research and production, with localities, industrial departments and enterprises.

According to the Ministry of Education, 466 important research projects were completed in 1982, 75 percent of which have been applied to production.

Ninety of the projects, each with an annual economic benefit above 1 million yuan (0.5 million U.S. dollars), bring in more than 500 million yuan each year.

Many universities are gearing up their research plans to the needs of national and local economic construction. Beijing University and five other universities have teamed up to apply remote sensing technology in natural resource surveys. After completing their work in Shanxi Province in 1982, they are now surveying grassland resources in Inner Mongolia in cooperation with local colleges.

The Dalian Institute of Technology and some other universities and colleges have taken it upon themselves to develop marine exploration. They are concentrating on designing concrete offshore platforms.

Industrial departments and local authorities are attaching increasing importance to the potential of institutions of higher learning for meeting their needs. By an arrangement with the Ministry of the Petroleum Industry, Nanjing University, Qinghua University and some others have set up centers for research in exploitation, refining and transport of petroleum and for personnel training. The ministry is providing funds to the universities.

Shanghai Municipality has financed Fudan University, the Jiaotong University of Shanghai and other institutions in starting research in material science and other new branches of science.

CSO: 4020/071

ECONOMIC MANAGEMENT

FACTORY MANAGERS TO TAKE STATE EXAMINATIONS

OW161326 Beijing XINHUA in English 1310 GMT 16 Feb 84

[Text] Beijing, 16 Feb (XINHUA)--State examinations will be held for 20,000 managers and directors of state-owned factories throughout China in the next 12 months, Zhang Yanning, vice-minister in charge of the State Economic Commission, said today.

Zhang told a national economic work conference now in session here that the state examination system was proposed by Premier Zhao Ziyang.

The tests will cover China's economic policies and principles of enterprise management.

"This is expected to motivate factory leaders to work harder to acquire expertise, an important measure in reforming the current cadre system," he said.

The examinations--the first on a national scale--will be held in August 1984 and January 1985. Questions will be set by the State Committee for the Examination of Economic and Managerial Personnel.

The State Economic Commission held tests last December for 520 factory leaders in Beijing, Shanghai and eight other cities.

"The examinees proved to have a good command of China's economic policies, but their results were unsatisfactory for enterprise financial operations and modern managerial skills," Zhang said.

Nearly 4.8 million managerial personnel received on-the-job training on a full or part time basis between 1979 and 1983, he added.

CSO: 4020/075

ECONOMIC MANAGEMENT

MORE WORKERS RECEIVE VOCATIONAL TRAINING

OW201148 Beijing XINHUA in English 1136 GMT 20 Feb 84

[Text] Beijing, 20 Feb (XINHUA)--Nearly 30 million Chinese workers, or about one-third of the country's total number of workers, have undergone training in the last three years, a spokesman for the national committee in charge of workers' training said here.

By the end of 1983, the spokesman said, about 70 percent of all state-owned enterprises and establishments in China had started systematic training programs covering politics, general knowledge, and technical or managerial skills.

The intensified stress on workers' training comes as China's industries are undergoing technical upgrading to meet the needs of the country's modernization program.

More than seven million workers are now receiving elementary education while 430,000 are taking secondary vocational courses and 770,000 more are in various types of higher education. About 4.3 million people are also involved in other types of training courses. There are 2,800 workers' colleges and secondary technical schools throughout the country, in addition to a large number of training centers. The state spends about 1.2 billion yuan on workers' training programs a year.

Emphasis has been placed on training professional cadres and young workers. From 1981 to 1983, 4.79 million cadres, or half of the country's total, were rotated through training sessions. About 6 million young workers take training courses every year, to acquire new skills or raise their basic educational levels.

CSO: 4020/075

ECONOMIC MANAGEMENT

CASS INSTITUTE DIRECTOR VIEWS QUALITY OF ENTERPRISES

Beijing GONGREN RIBAO in Chinese 10 Oct 83 p 3

[Article: "Comrade Jiang Iwei [5592 0001 5517], director of the Industrial and Economic Research Institute of the Chinese Academy of Social Sciences, Airs Views on Quality of Enterprises"]

[Text] Jiang Iwei, director of the Industrial and Economic Research Institute of the Chinese Academy of Social Sciences, recently expressed his views on the quality of enterprises.

What is meant by the quality of enterprises?

Comrade Jiang Iwei replied: "The quality of enterprises is not a quantitative, but a qualitative concept. It is an amalgam of all the inherent factors which determine their capacity for mobility. By inherent factors is meant the various key elements necessary for production. They cover the three essential material elements of labor, the means of labor and the subject of labor as well as such non-material elements as the scientific and technological standard and the standard of operational administration. When we 'investigated the productive capacity' of enterprises in the past, we were in fact checking into the inherent factors of the enterprises. However, the word 'capacity' is quantitative in concept, denoting among other things the number of workers, the sets of equipment and the amount of production. The term 'capability' therefore better conveys the concept of the quality of the key productive elements of the enterprises. Taking labor as an example, the term denotes not the number of workers but rather the quality of the contingent of workers such as their physical, cultural and ideological quality."

"When we talk about the quality of the enterprises, the term normally encompasses the quality of personnel, the technical quality and the quality of management. Technical quality is, however, an abstract concept which does not quite describe specifically what it covers. Actually, scientific and technological productive capacity must be reflected in the three key material elements in the process of production. For this reason, in analyzing specifically the quality of the enterprises, it would be well to break it down into the quality of labor, the quality of the means of labor, the quality of the subject of labor and the quality of management. By doing that, we can then set specific targets in raising the quality of the enterprises."

On the subject of raising the quality of the enterprises, Comrade Jiang Iwei expressed his views on four separate subjects:

First, on improving the quality of labor, he said: "Although we now demand that our leadership cadres be young, specialized, revolutionary and knowledgeable, the same demand should be made of the entire contingent of workers. However, there is one point which requires clarification. By 'young' is meant not only a worker's age but also the quality of his physical condition. By the quality of a worker is meant not only his physical quality but also his cultural quality, that is, his knowledgeability and specialization. The quality of a worker is also reflected in the revolutionary quality of his ideology. The demand for these qualities should not, however, be absolute. When accent is put on youth, it does not mean that the younger the worker, the better he is. Stressing the importance of knowledge likewise does not imply that those in leadership positions down to the rank-and-file workers must be college graduates. When we talk about the quality of an enterprise, we are talking about the entire enterprise. Thus, we must give consideration to the reasonableness of structures composed of the old, the middle aged and the young and structures composed of those engaged in mental and physical labor."

Second, on improving the means of labor, he said: "The chief way to improve technical quality is to modernize the means of labor. For this reason, the enterprises must continue to engage in technical reform. That does not mean, however, that something is better just because it is technically more advanced. Consideration must also be given to the question of technical structure. In other words, while importance should be attached to advanced techniques, consideration must also be given to economic rationality. What should be technically concentrated and what should be labor intensive are questions which should be determined by the various enterprises and the different productive links within the enterprises in a rational manner and according to the circumstances of the nation and the factories."

Third, on improving the quality of the subject of labor, he said: "The subject of labor has two components, namely, the development of products and the development of resources. On the basis of the needs of society and the progress made in the scientific and technical field, the enterprises must continue to develop the variety and improve the quality of products. They must at the same time reduce consumption and the cost of production. In the development of resources, importance should be attached not only to the conservation of resources but also to the overall utilization of resources and the development of new resources."

Fourth, on improving the quality of economic management, he said: "The three key factors in production, namely, labor, the means of labor and the subject of labor, cannot be made to play their role in isolation. The effective organization of the three components to meet the needs of economic development in society requires management. From this point of view, the quality of operational management is the most important among the qualities required by an enterprise. Operating with the same manpower and under the same technical conditions, enterprises under different managements show a great disparity in their productive operations."

Comrade Jiang Iwei also expressed the view that in order to improve the quality of the enterprises across the board, it would be necessary to reform the economic administration system, to get all the industries to adopt the economic responsibility system and to define in clear-cut terms the relationship between the state and the enterprises so that pressure may be exerted on the enterprises from without and a motive force generated from within. On that premise, the enterprises themselves must proceed according to their specific circumstances, draw up long-term and short-term plans for the implementation of "the three constructions" and of technical reforms and avail themselves of the spirit of enthusiasm and the initiative of the entire body of workers to bring a new look to the enterprises within a not too long period of time.

9621

CSO: 4006/109

PROBLEMS AFFECTING QUALITY OF ENTERPRISES STUDIED

Beijing JINGJI RIBAO in Chinese 17 Oct 83 p 3

[Article by Zhou Shulian [0719 0647 5571]: "Discussion on Problems Affecting the Quality of Enterprises"]

[Text] The quality of enterprises is a basic problem in the national economy, a problem to which the industrial, communications, commercial and service enterprises as well as all other departments and enterprises should address themselves. Having failed to direct sufficient attention to the problem in the past, we must now formulate truly effective measures through research and discussion to upgrade the quality of our enterprises without further delay.

By the quality of the enterprises is meant the intrinsic character of the enterprises. It was Lenin who said: "Things that are without intrinsic character, things that are not what they seem and things that have a false front are not as 'sturdy' and 'solid' as those that have an intrinsic character." The quality of the enterprises is reflected in the intrinsically "sturdy" and "solid" quality of their products as evidenced by the administrative standard of operations, the technical standard, the production standards, the ability to meet emergencies, the capacity for development and the ability to develop smoothly and rapidly and to achieve economic effectiveness regardless of the favorable or unfavorable external conditions. In upgrading their quality, we must upgrade the intrinsic character of the enterprises.

The quality of an enterprise involves a wide area. From the point of view of the key elements which go into making a socialist enterprise, the quality of an enterprise takes into account the human as well as the material factor. From the production point of view, there is the factor of the quality of operational administration and the technical standard. As basic organizations in the socialist economy, the enterprises are to be rated by whether they can adhere to the national plan, whether they can satisfy the demands of society, whether they have an inherent driving force, whether they have the ability to compete and whether they have the ability to cope with emergencies. Some of the factors stated above are related and some have a distinct character. Naturally, there are other factors which affect the quality of the enterprises. Generally speaking, however, to improve the quality of an enterprise, it is

necessary to pay particular attention to the quality of the workers, the technical standard, the standard of operational administration and the quality of the leadership groups.

Quality of Workers

Of the human and material factors which constitute an enterprise, the human factor is the more important. From the internal point of view, the quality of its workers has a decisive effect on the development of an enterprise. The quality of workers may also be divided into the quality of their political ideology and their cultural and technical quality. In our enterprises, in addition to requiring our workers to continue to elevate their cultural and technical standards, we also demand that they direct their efforts toward upgrading their political and ideological standards, that they be both red and expert and that their status as workers be in keeping with their status as their own masters so that they may fulfill their glorious responsibilities as members of the working class. Many of the workers in our enterprises are of a high or relatively high quality. They have a keen awareness of what socialism stands for and a well-developed sense of organization and discipline. They have an ardent love for their factories and their work. They are dedicated to the study of culture and their work and they are aware of the importance of unity, mutual help, economic effectiveness and such prevailing socialist customs as the "five stresses, four beauties and three ardent loves." However, there are still workers in the enterprises whose quality is not what it should be. Some of them approach their work as employees rather than as their own masters. They are lax in labor discipline and lacking in a desire to forge ahead. That is one reason for the low economic effectiveness of some of the enterprises. One extremely pressing and important task confronting us is how to bring a new look to the situation and to develop a contingent of workers who have a high sense of awareness, who are technically proficient and disciplined and who have a good workstyle.

Technical Quality of Enterprises

By technical quality is meant chiefly the standard of the technical equipment of the enterprises. Modernized socialist enterprises are built on an advanced scientific and technical foundation, and production development is increasingly dependent on scientific and technical progress. For this reason, the technical quality of the enterprise determines to a large extent the quality of the enterprise. At present, with the exception of a few enterprises whose technical equipment may be said to be relatively advanced, many of the enterprises suffer from equipment that is obsolete, a low technical standards, poor equipment management, a low technical standard among the workers and products that have remained unchanged for decades. The backward state of technical equipment and management automatically leads to a high rate of consumption of energy and raw materials, low quality of products, high cost of production and lack of competitiveness in the domestic and foreign markets. Although the low technical quality of our enterprises is partly due to the poor foundation of the state, the major reason stems from the low standard of operational administration of the enterprises and certain defects in economic policy and the economic system. Particularly worthy of note is our failure over a long period

of time to bring technical reform to the existing enterprises and our engagement in expanded capital construction in a blind manner and in the duplication of construction projects. Thus, despite the high rate of accumulation and investment, the technical quality of the enterprises has not been raised correspondingly. We must now put the task of improving the technical quality of the enterprises high on the agenda. While dealing with key construction projects in energy supply and communications, we must also step up the technical reform of the enterprises and direct our efforts toward the achievement of technical progress. The technical reform of the enterprises must be undertaken on the basis of the unified plan of the state. Plans should be devised for the various trades and businesses and should be carried out step by step according to plan, in the proper order and in an organized manner. Whenever possible, advanced techniques should be adopted to increase economic effectiveness.

Quality of Operational Administration of Enterprises

By the quality of the operational administration of the enterprises is meant the basic work of administration, the system of operational administration, the capacity for operational administration, the capacity for competition, the capacity for meeting emergencies and the motive force needed to provide an impetus to development. It is only when the quality and standard of the operational administration of an enterprise is of a high order that it is able to cope with changes not of its own making and to compete successfully. It was pointed out by Marx long ago that expanded socialist production must be subject to control. Facts have proved that whether an enterprise is able to make full use of its manpower and material and financial resources and whether it is economically effective depends chiefly on the quality of its operational administration. In requiring the enterprises to operate in line with socialist economic law, the state demands first of all that operational administration be in line with the purpose of socialist production, that it meet the demand for the development of the national economy according to a plan and ratio and that the least amount of material and labor be used to bring about maximum profits. Due to various objective factors, the quality of the operational administration of many of our enterprises is rather low. To bring about an improvement in the situation within the shortest possible time, we must engage in work in various areas. First, we must approach the various types of basic administrative work of the enterprises in a creditable manner and establish and consolidate quota control, information and data control, technical filing control and the system of rules and regulations. Second, we must set up a scientific and civilized administrative system that exercises control over planning, quality, labor, finances, cost, equipment, raw materials and technology. Third, we must be well versed in administration and operations. By administration is meant the handling of the internal relationships within an enterprise, while by operations is meant the handling of its external relationships. There are at present not a few enterprises that are weak in administration and even weaker in operations. They must learn how to operate if they are to cope with the developing situation in the production and exchange of commercial commodities and to increase their competitiveness and ability to meet emergencies. Fourth, we must establish a leadership system that is both democratic and centralized, give free play to socialist democracy and heighten

the zeal on the part of the vast masses to improve the operational administration of the enterprises.

Quality of Leadership Groups

Broadly speaking, the quality of the operational administration of an enterprise should take into account the leadership group factor. That is because, with the enforcement of the system of democratic centralism by our enterprises, the chief responsibility for operational administration is in the hands of leadership groups. The quality of leadership groups, which has a decisive effect on the operational administration of the enterprises, can also be divided between the individual and the collective qualities of the leaders. The former quality has to do with the political ideology of the individual leaders, their ability to formulate policy, their business acumen, their leadership ability, their leadership style, their age and state of health, etc. The latter has to do with whether the leadership groups are collectively capable, whether they can stand united and cooperate with one another and whether they are competitive. Marx had occasion to stress the important role played by the conductor of an orchestra. The leader of an enterprise plays a role similar to that of an orchestra conductor. A socialist enterprise not only demands that the operational administration personnel do a good job but that they also have an overall standpoint so that the development of the enterprise may serve to promote the development of the entire national economy. Whether an enterprise is well-run depends on such factors as the economic system and the economic policy. So far as the enterprises themselves are concerned, however, the quality of the leadership groups has a most crucial effect on how well an enterprise is run. At the present time, the poor quality of leadership groups in the enterprises is marked by weakness, low morale, overstaffing, ageism, a low cultural standard and a lack of professional knowledge. This situation must gradually be changed so that the leadership groups in the production work and administration of the enterprises may be capable, revolutionary, young, intellectual and professional. All the enterprises must raise the ideological and business standard of the leadership groups by implementing the basic principle of abiding by the collective leadership of the party committee, the democratic control of the workers and the administrative command of the chief of the factory. They must establish leadership groups that are truly devoted to their work, that have organizational and leadership skills and that are capable of making a breakthrough in socialist projects of construction. Once leadership groups of this type have been set up, it will be possible to establish a capable contingent of workers, do a good job in the operational administration of the enterprises, bring about technical reforms and improve the quality of the enterprises within a short period of time.

The discussion of the quality of the enterprises at this time points to our heightened awareness of the significance of socialist enterprises both in theory and in practice. In order to bring about socialist modernization, it is necessary to develop fully the role that can be played by the enterprises. We must continue to do what we have been doing in recent years in reforming the economic administration system, in entirely overhauling the enterprises, in engaging in technical reforms and in improving the quality of the enterprises.

In explicitly bringing up the subject of the quality of the enterprises at this time, we are pointing up the arduous task facing the establishment of socialist enterprises and the setting up of targets in the various lines of work.

The present situation demands that we come to grips with the subject of the quality of the enterprises. Although the economic effectiveness of the enterprises has seen an upturn, a great deal remains to be done. One basic reason for the low economic effectiveness of the enterprises is their low quality. Some backward enterprises were able to make money in the past because of the low cost of raw materials, subsidiary agricultural products and labor. Now that the prices of certain products have been readjusted and now that wages have been raised, many of the enterprises that used to make money have stopped making money and many enterprises that used to make a great deal of money are making less money. Thus, the poor quality of the enterprises has become more and more evident. With the increasing development of the production and exchange of commercial commodities and of international trade relations, we would not be able to thrive in the domestic market or to compete in the international market unless a basic change is made by our enterprises to improve their quality significantly.

Improvement in the quality of the enterprises is also demanded by the further reform of the economic system. The poor quality of the enterprises makes it difficult for them to cope with the economic situation which calls for an increase in their operational capacity and in their ability to deal with emergencies after the reform of the economic system. Under such circumstances, some of the reform measures cannot be implemented while others, though forcefully rammed through, cannot be expected to yield the results desired.

It should be noted that we have all the favorable conditions necessary to improve the quality of our enterprises. In recent years, the reform of the system has enlarged to a suitable extent the autonomous powers of certain enterprises to manage their operations and strengthened their motive force on the inside and their pressure on the outside. The work of completely overhauling the enterprises has progressed well and yielded certain benefits. It has offered some valuable experiences and led to the emergence of a large number of enterprises that have done a good job of overhauling, of improving continually their standard of administration and of improving significantly their economic effectiveness. The technical reform of the enterprises is being undertaken according to a plan and a focus. The political, ideological, cultural and technical standard as well as the professional expertise of large numbers of workers and cadres are continually on the rise. Particularly worthy of note is the fact that those enterprises which, in the opinion of the people of the entire nation, should waste no time in improving their operational administration and economic effectiveness are making rapid progress along the path of economic construction. Under such favorable circumstances, we have every confidence that the quality of our enterprises will rapidly improve if we only appreciate the need to improve the quality of the enterprises, strengthen our investigation and research and approach our work in a serious and down-to-earth manner.

ECONOMIC MANAGEMENT

BRIEFS

ECONOMIC TRAINING FOR CADRES--Beijing, 17 Feb (XINHUA)--About 900,000 Chinese factory managers and leading cadres in the industry, communications and trade departments received technical and management training last year. This figure brought to 4.79 million the number of cadres trained since 1979, or about half of the total cadres in the three sectors of the national economy. To have more competent cadres through training is part of China's modernization program. Apart from sending them to study in universities and colleges, the industry, communications and trade departments have set up economic management institutes for cadres education at various grades. A total of 134 training classes were offered by these institutes in 1983. Qualified teachers were chosen from universities and colleges and special curricula are being compiled for the purpose. In addition, many cadres have taken courses in spare time colleges, correspondence schools and television colleges.
[Text] [OW171405 Beijing XINHUA in English 1324 GMT 17 Feb 84]

CSO: 4020/075

FINANCE AND BANKING

STATE REVENUE PLAN FULFILLED AHEAD OF SCHEDULE

Taiyuan SHANXI RIBAO in Chinese 8 Dec 83 p 1

[Article by Feng Zhoujie [7458 0719 0267], Yuan Chongxin [0626 1504 0207], Qi Sheng [2475 0524] and Shuang Ming [7175 2494]: "Our Province Fulfilled Its Annual Revenue Task 1 Month Ahead of Time"]

[Text] After increasing production, expanding circulation and raising economic results, our province fulfilled its annual revenue task 1 month ahead of time. According to statistics up to the end of November, the revenue collected by this province amounted to 2,184.15 million yuan, an excess of 0.19 percent over the state's assigned figure, an increase of 18.38 percent over the same period last year and an excess of 13.9 percent over the value of industrial production. This established a reliable foundation for the struggle target suggested by the provincial party committee, which was an overfulfillment by 150 million yuan.

Of the revenue already turned over to the treasury, industrial income contributed 866.92 million yuan and industrial and commercial taxes contributed 1,240.79 million yuan, which were 15.9 and 12.1-percent increases, respectively, over the same period last year. Of the 11 prefectures and municipalities in the province, the 5 prefectures and municipalities of Yanbei, Yangquan, Datong, Yuncheng and Luliang have already fulfilled their annual revenue assignments. Sixty-one counties have also completed their annual revenue tasks ahead of time, among them Zuoyun, Daixian, Qingxu, Zuoquan, Jiaocheng, Puxian, Hejin and Lingchuan, and so have another 11 departments, among them the Provincial Electric Power Bureau, the Bureau of Metallurgy, the Bureau of Light Industry and the Medical and Pharmaceutical Bureau of the province.

Finances give a comprehensive picture of the entire field of economic activities. The speed and effectiveness with which this year's revenue task has been accomplished is an overall indicator for the further improvement of industrial and agricultural production, for the further expansion of commodity circulation and for the continuous upward trend in economic results. It shows that the production along the entire economic front has advanced at a steady pace and presents a picture of prosperity and growth throughout the market. It shows that in this 1st year of our efforts to create a new situation of socialist modernizations, larger funds have been accumulated for the four modernizations projects and greater contributions have been effected.

The leadership in party and government at all levels took financial work firmly in hand and adopted effective measures, which were implemented level by level and pursued to the end, thus ensuring that revenue increased month after month. The various departments at all levels continuously implemented the "eight character" policy, accepted the achievement of higher economic results as the key concern, actively organized production and worked hard to improve business management, to increase income and to economize on all items of expenditure, so that all economic indicators rose to a high level and a reliable foundation was laid for the completion of revenue collection ahead of time. During the period from January to October the total costs of constant products in the localities throughout the province, after the price adjustments for cotton and other raw materials, were still 1.32 percent lower than last year, and profits were up over 56 million yuan. Unprofitable industrial enterprises declined from 496 at the end of November last year to 179, and losses declined by 40.71 million yuan compared with the same period last year, a 55.74-percent reduction in losses and an overfulfillment of the plan for the elimination of losses. At the same time, the amount of commercial sales increased and costs declined, which also played a role in helping accomplish the revenue tasks. Add to this the fact that after converting from profit-delivery to taxation, the state-operated enterprises fully asserted their role as a powerful lever for revenue collection, ensured that a larger share was turned over to the state and ensured that enterprises turned over their taxes according to schedule.

The finance and tax departments at all levels established and perfected the internal system of personal responsibility at each post. They strengthened control of tax collection, further stopped up all loopholes for "escapes, falsifications, trickling payments and evasions," launched a general financial investigation throughout the province and achieved the punctual and complete payment of all income that was due to be turned in.

9808

CSO: 4006/191

FINANCE AND BANKING

FINANCE DEPARTMENTS PAY CLOSE ATTENTION TO COORDINATING FUNCTIONS

Beijing JINGJI RIBAO in Chinese 28 Nov 83 p 2

[Article by Xia Changwen [1115 7022 2429]: "Finance Departments Must Pay Attention to Coordinating Relationships between Enterprises"]

[Text] One of the major functions of finance departments is the coordination of relationships between enterprises.

Some considerable contradictions presently exist between industrial and commercial enterprises, between the wholesale and retail sectors of commerce and between state commerce and grassroots supply and marketing cooperatives. These contradictions show up particularly in the profits of the different enterprises, especially between industrial and commercial enterprises. Some industrial enterprises advocate a market economy for readily salable products and demand the expansion of their own direct sales of these products. For slow-selling and medium slow-selling items, they advocate a planned economy and demand that the commercial enterprises take up all these products for sale. The commercial departments, however, advocate a planned economy for readily salable products, for which they want a sales monopoly, and for the slow- or medium slow-selling products they advocate market regulation and ask that the industries sell them directly. In this way conflicts arise between certain industrial and commercial enterprises, resulting in non-delivery of commodities that should be delivered and in non-purchases of commodities that should have been purchased. These problems, if not solved, will create harmful consequences for industrial production and for market supplies.

Socialist banks are departments that exercise an integrating effect in the national economy. Through their movements of currency funds they have contacts with thousands of enterprises, and due to their special position of maintaining widespread links and their ability to respond flexibly, they can give guidance in these contradictions between the enterprises and effect coordination.

How is this reconciliation between enterprises to be effected? First of all, the relationship between enterprise interests and the interests of the whole must be correctly dealt with. As we have public ownership of the means of

production in our country, the entire national economy constitutes one organic entity. The relationship between enterprises is one of mutual conditions and interdependence, which reflects the inherent linkage between the various enterprises. Between enterprises there is an identity of fundamental interests, as there is also a disparity of partial interests. The one-sided emphasis on the partial interests in the relationship between enterprises will naturally lead to a mutual dissipation of their strength, and this in turn will have a harmful effect on the healthy development of the entire economic construction. Socialist enterprises, therefore, have to follow the important principle that partial interests must submit to the interests of the whole and that immediate interests must submit to long-term interests.

Banks must supervise industrial and commercial enterprises to ensure that both conduct their affairs according to the state's unified plan and policy. Whatever the state determines as the production and purchase plan has to be strictly executed by both the industrial and the commercial enterprises, and any bank credits that are required must also be granted according to what has been prescribed. As far as quantities are concerned, the production plan of the industrial departments, regardless of whether the articles concerned are subject to monopolistic purchasing or to planned purchases, must follow the state plan, and the specific product mix and all specifications must show a linkage between production and sales based on the needs of the market. At the same time, the commercial departments must take further steps to change their mentality and workstyle. They must meet the demand of a "three mores and one little" circulation system, actively expand their purchases on a large scale and fully assert their role as the main channels of state commerce. It must be realized that the market is elastic and has a very large sales potential. With hard work, certain products which people perceive as slow-moving commodities will also find their market. Banks should cooperate with the commercial departments in the use of a variety of forms and in efforts to open up new markets.

The key question in coordinating the relationship between the enterprises is to cooperate in effectively resolving the profit question between industrial and commercial enterprises. Profits are actually a question of pricing. As production develops and the supply situation in the market changes, this question will possibly become even more prominent. In handling the question of profits between the enterprises, it is necessary to coordinate, within the limits permitted by the policies of the state, industrial and commercial enterprises in the spirit of mutual understanding and mutual accommodation and to strive for a condition of "profits we equally share, risks we jointly bear!" Wherever industry shows high profits, they may appropriately yield some to commerce. Whenever industry is making no profit or very little profit, commerce should ensure that the costs will be covered or should reduce its profits to a minimum. Some items may be jointly marketed by both industry and commerce. In brief, enthusiasm must be aroused on both sides for purchasing and selling activities, and the real problems that exist in this respect have to be effectively resolved in order to expand the production and increase the purchases by the commercial departments.

Whenever industry undertakes its own sales, it must do so within the prescribed scope and in the implementation of the state's uniform price policy. Controls must be instituted over the present direct sales by industry itself. The fundamental road for an expansion of the sale of all products is to apply a social division of labor and assert the role of state commerce. An unavoidable result of a social division of labor is that commerce will gain independence from the production sector, and this is also one of the indicators of social progress. There are certain limits to the direct sales by the industrial departments themselves. The banks must therefore actively support state commerce in its prompt purchases of easily salable industrial goods and of goods that for a time appear in oversupply but which later will again find a ready market, so as to guarantee the normal functioning of production and circulation.

When financial departments help coordinate relations between enterprises, they must rely on the departments that are locally responsible for the enterprises. They must display the excellent tradition of "threading the needle and pulling the strong" and of acting as the famous novel heroine "Red Maid" [be a good go-between], must promptly establish rapport with the conditions in production and marketing, regularly exchange economic information, launch effective work in projecting and forecasting and start out in all matters by considering the needs of production and of the market and furthermore devote themselves to service to all industrial and commercial enterprises. Within the financial sector itself, credits to industrial and commercial enterprises must be closely coordinated, and cooperation must be strengthened between the People's Bank and the Agricultural Bank, so that the national economy will be spurred on to proceed on a health path.

9808

CSO: 4006/191

FINANCE AND BANKING

COMMERCIAL BANK ISSUES LOANS TO UPDATE EQUIPMENT

OW070949 Beijing XINHUA in English 0730 GMT 7 Feb 84

[Text] Beijing, February 7 (XINHUA)--The Industrial and Commercial Bank of China this year will mainly issue medium and short-term loans to aid energy and communications departments in procuring equipment for the purpose of replacing or transforming the old ones, bank officials said today.

The bank was set up last year to take over the commercial role of the original People's Bank of China, which has now become a central bank.

The bank said that it will give priority to the technical needs of light industry and textiles and to 550 key technical transformation projects in machine building and electronics, and issue loans to help small and medium-sized enterprises update their technology.

The bank granted medium and short-term loans of more than 5 billion yuan (about 2.5 billion U.S. dollars) for buying equipment last year to support over 20,000 technical renovation projects. Nearly half of the projects have been completed. They are expected to boost industrial output value by over 12 billion yuan, and raise taxes and profits by 1.5 billion yuan, bank officials said.

While encouraging enterprises to adopt new technology, the bank has also asked its local branches to maintain strict controls on lending and not exceed planned figures. Key projects and projects already underway, but not yet completed, should be guaranteed, officials said. But medium and short-term equipment loans will not be granted for capital construction projects, projects not included in state plans, or projects that will turn out products not needed by industrial or commercial markets, they added.

CSO: 4020/072

FINANCE AND BANKING

NON-COMMERCIAL WITHDRAWAL OF CURRENCY FROM CIRCULATION

Yinchuan NINGXIA RIBAO in Chinese 30 Nov 83 p 2

[Article by Zhang Bingwu [1728 3521 2976]: "Develop Consumer Service Trades and Increase Non-commercial Withdrawal of Currency"]

[Text] The two aspects of currency circulation work are the withdrawal of currency from circulation and the placing of currency into circulation. The latter is the foundation for the former, and the former is the assurance for the latter. Only by large withdrawals will it be possible to return much into circulation to support and develop production. Otherwise, serious consequences may be wrought on the circulation of currency in the market. Cash that is put into circulation will return to the bank, passing through a certain transitional circulation within an area of circulation, through the sale of commodities, through furnishing labor, by bank savings deposits and through other such channels. As throughout the rest of the country, our region put a much increased amount of currency into circulation this year. It is the opinion of this writer that a large potential exists for non-commercial currency withdrawals through a method of furnishing labor. However, in all our past work of currency withdrawal we have put this method in second place. In the future, when giving attention to commercial withdrawals of currency, we must also pay attention to studying and energetically organizing the non-commercial withdrawal of currency and bring this channel for currency withdrawal into full play.

The success of this work of the non-commercial withdrawal of currency requires the increase in consumer service activities. The scope of such consumer services is extremely wide, and consumer demands grow more and more complex in the wake of a rising living standard of the people. To meet these demands, new consumer service departments are constantly emerging in pace with the expansion of the socialization of life services. Taking the case of Yinchuan Municipality as an example, the proportion of currency withdrawals in the consumer service trades, though in a secondary place, is increasing year by year. In the fifties, it accounted for 8 percent of the total currency withdrawals and in the sixties for 13 percent, while it decreased in the seventies due to the 10 years of turmoil. In comparison with commercial currency withdrawals, the ratio was 12:88 in the fifties, 18.6:81.4 in the sixties and 13.4:86.6 in the seventies. Although the ratio declined in the seventies, in the 13 years from 1970 to 1982, the non-commercial withdrawals

increased 3.3 times compared with 1970. If the ratio increases at a rate of 10 percent every year, it will play an important role in changing the state of currency oversupply in the market. It is therefore suggested that all departments concerned give attention to developing consumer service trades and earnestly solve the various problems presently existing in the service trades, as for instance, the difficulties of obtaining high-grade synthetic fiber, woollens and fur garments, the difficulty of finding bath facilities, etc. It should also be possible to follow the experiences of other provinces and establish "domestic service companies", introducing residents to sewing, starching and mending services, house painting, coal briquet making and other domestic work so as to increase non-commercial currency withdrawals.

9808

CSO: 4006/191

FINANCE AND BANKING

BRIEFS

PURCHASE PLAN FOR TREASURY BONDS OVERFULFILLED--According to yesterday's statistical report by the provincial bureau of finance, 225.26 million yuan were already turned in for treasury bonds subscribed to by our province, which thus overfulfilled by 1.9 percent this year's plan for the purchase of treasury bonds. The municipalities of Lianyungang, Xuzhou and Yangzhou overfulfilled their quotas by over 3 percent. [By Cai Rongguo [5591 2837 0948] [Text] [Nanjing XINHUA RIBAO in Chinese 9 Nov 83 p 2] 9808

ANNUAL TAX PLAN OVERFULFILLED AHEAD OF SCHEDULE--Up to 10 December, our province has already overfulfilled ahead of schedule the annual tax plan which the state had assigned to this province. By exceeding last year's amount by 8 percent, this year's tax collection had the great success of overfulfilling the plan, topping last year's figure and establishing a record. The tax cadres throughout the province continue their efforts to carry out a deep-going big tax cleanup, and projections are that up to the end of the year, receipts could exceed 200 million yuan. [By Gong Shaohua [7895 4801 5478] [Text] [Shenyang LIAONING RIBAO in Chinese 12 Dec 83 p 1] 9808

CSO: 4006/192

INDUSTRY

PRODUCTION OF CONSUMER ELECTRONICS INCREASES

OW120927 Beijing XINHUA in English 0643 GMT 12 Feb 84

[Text] Beijing, 12 Feb (XINHUA)--China's electronics factories are gearing up for a new surge in purchases of televisions, radios and cassette players, according to the Ministry of the Electronics Industry.

Ministry officials said rising consumer income was expected to trigger a new buying rush extending over the next several years. An average per capita income for worker families in urban areas rose to 500 yuan (about 250 U.S. dollars) in 1983, up six percent over the year before. The country's average per capita income in rural areas in the same period was up over ten percent to more than 300 yuan.

Demand for televisions was expected to increase by about 15 percent in 1984, the officials said. Over 6.3 million sets were turned out last year, 505,000 of them color models, up 4.8 percent on 1982. The industry will produce over 7.3 million TV sets this year, they added.

A 14-inch black-and-white set costs about 400 yuan, while a 14-inch color model lists for about 1,000 yuan. There were seven or eight televisions for each ten urban households in China last year. The average in the countryside was less than two sets per hundred homes. A big rise is expected for the sales of black-and-white sets in the countryside.

Domestically-produced radio-cassette records, however, were in oversupply in 1983. The country turned out nearly four million of them last year, 85 times the 1978 output, outstripping the projected 18 percent sales rise, leaving radio-recorders piling up in department store stockrooms.

Factories are concentrating on models costing under 120 yuan while limiting the production of high-grade combination sets. But portable multifunctional stereo radio-recorders will still be in heavy demand.

Electronics Ministry officials said the industry would also make more (walkman) type of radios for China's urban market, with slightly larger models to be manufactured for the rural population.

CSO: 4010/49

INDUSTRY

ELECTRONICS INDUSTRY PRODUCTION AT RECORD LEVEL

OW222315 Beijing XINHUA in English 1451 GMT 22 Feb 84

[Text] Beijing, 22 Feb (XINHUA)--Output value of China's electronics industry in 1983 came to 14 billion yuan (about seven billion U.S. dollars), 27.4 percent more than that of the previous year. Other economic targets also set an all-time high.

According to statistics made public at a national conference of the electronics industry now in session in Beijing, China produced 364 large, medium-sized and small computers, 3,449 microcomputers and 23.51 million integrated circuits last year, representing an increase of 51,120 and 73.9 percent respectively over 1982.

China turned out about 6.4 million television sets in 1983, including 0.52 million color sets which was 84.2 percent more than in 1982. Domestic recording equipment reached 4.29 million, 30.7 percent more than in the preceding year.

The widespread technical innovations and up-to-date technology and equipment imported and designed by the electronic industry have helped raise the technical standards and improve the quality of electronic products. One hundred and twenty products won state awards last year.

Economic efficiency in the electronics industry greatly increased in 1983, with a profit of 1.53 billion yuan (about 770 million U.S. dollars). Fourteen of the 15 provinces and autonomous regions which incurred a loss in electronics production in 1982 made a profit last year.

CSO: 4020/075

INDUSTRY

LIGHT INDUSTRY MINISTER STRESSES OUTPUT, QUALITY

OW180031 Beijing XINHUA in English 1459 GMT 17 Feb 84

[Text] Beijing, 17 Feb (XINHUA)--China's light industry should study changes in consumer demand and produce goods the public will "not only be willing to spending money on, but also be satisfied and pleased to do so," Yang Bo, minister of light industry, said here today.

Yang told a meeting of light industrial bureau directors that enterprises under the ministry boosted their output to 119 billion yuan (about 60 billion U.S. dollars) in 1983, up 7.3 percent over a year ago. Notable increases were made in production of salable items while product quality was also steadily raised.

However, he added, the growth of the light industry failed to keep pace with that of national economy and rising income of the people. Light industry was technologically backward and slow to upgrade its products, Yang said, noting that most consumer complaints centered on poor quality and a lack of variety.

"The output value of light industrial enterprises under the ministry will grow by 5 percent in 1984 according to the state plan, which we guarantee to fulfill. But even this rate falls short of actual demand," he said.

Yang said the most sought-after products were nutritious foods and consumer durables, including refrigerators. All the 2,000 refrigerators put on the Beijing market during the spring festival holiday were sold out in a matter of hours. He said, "We should study the changes in consumer habits which are now taking place", and "we should program our production on the basis of our findings, and open up new areas of production," Yang said.

Light industry should serve the interests of consumers, and pay more attention to the quality and use value of its products, he said. "If we produce the right items and in good quality, consumers will gladly buy," Yang added.

CSO: 4020/075

INDUSTRY

SHOUDU STEEL COMPANY ACHIEVES MARKED SUCCESS

OW181407 Beijing XINHUA Domestic Service in Chinese 1244 GMT 16 Feb 84

[Excerpts] Beijing, 16 February (XINHUA)--Information provided by the National Conference on Economic Work shows that the Shoudu Iron and Steel Company, advancing in the van of economic reform, is among the best industrial enterprises, with outstanding achievements in raising their economic results at an unprecedented rate and rapidly increasing their profits turned over to the state.

After experimenting in greater decisionmaking power in 1979, the Shoudu Iron and Steel Company has gradually instituted and improved an economic responsibility system, with the stress on contractual operation. With the approval of the State Council, in 1981 the company began to adopt the economic responsibility system for profit increases by degrees in its relations with the state. In economic reform over the past 5 years, the company's total output value has increased 55.1 percent, while its consumption of constant energy (Ke Bi Neng Yuan 0668 3023 5174 3293) for the production of steel per ton has been reduced from 1,247 to 957 kilograms; its profit from every 100 yuan of output has increased 15.6 percent, and its total profits have gone up by 156 percent, with a yearly average increase of 20 percent over the past 5 years. Last year, the company won first place in 31 of the 55 comparable major technical and economic indexes of the country's metallurgical industry. In terms of economic results, it is now the company's golden age.

While speaking at the National Economic Work Conference on 14 February, Deputy Secretary Gao Bocong of the company party committee gave a comprehensive briefing on the company's major achievements in carrying out reforms over the past 5 years. They include:

First, increased state revenue has been insured. In the past 5 years, the company has turned more than 1.38 billion yuan of profit over to the state, an increase of over 600 million yuan over the 5 years before the reform

Second, technical transformation of the enterprise has been speeded up. The company has successively carried out 42 major technical transformation projects, and the money invested in more than 50 percent of these projects has been recouped in 2 years. The company has earned an income of over 350 million yuan from such projects over the past 5 years.

Third, the well-being of workers and staff members has been improved. This has been done with the improvement of economic results and the delivery to the state of increased profits by the company. Whilst most of the funds accumulated and retained by the company have been used for the development of production, some have also been used to increase bonuses for workers and staff members, and to improve their living conditions. In the past 5 years, 8,900 worker families have moved into new quarters built by the company.

Fourth, enterprise management has been strengthened. Through practice in the past few years, the number of contracted and guaranteed quotas and evaluation requirements, in connection with the company's economic responsibility system, has increased to more than 290,000. These quotas and requirements have brought the company's 110,000 cadres, workers, and staff members together, with each performing his responsibility and cooperating with others; they have been making concerted efforts to achieve the general goal of raising the company's comprehensive economic results.

With the rapid increase in managerial data, the company, and 10 major factories and mines under it, is using computers in 80 management items, such as compilation of daily bulletins on production and operation, cost accounting, profit forecasting, and wage calculation. Thus, "an upsurge" in studying and using computers has occurred.

CSO: 4006/308

CONSTRUCTION

RURAL HOUSING CONSTRUCTION BOOM UNABATED

OW141451 Beijing XINHUA in English 1431 GMT 14 Feb 84

[Text] Beijing, 14 Feb (XINHUA)--China's rising building materials industry is gearing up for the growing rural home building boom expected to last to the end of this century, according to the Ministry of Urban and Rural Construction and Environmental Protection.

The rural home building boom started in 1980 when the peasants' income began to rise following the implementation of the contract responsibility system. Over the past three years, housing construction grew at an annual rate of 600 million square meters of floor space as against some 100 million square meters of floor space a few years ago. The figure soared to 830 million square meters of floor space in 1983.

The growing demand for building materials will give an impetus to relevant industries.

The present output of building materials nationwide is far short of demand, the officials said. Over the years, the peasants mainly relied on themselves in solving problems of building materials. Beginning from 1980, the state began to provide some. In 1982, the state supplied 220,000 tons of rolled steel and 2.7 million standard crates of plate glass, but only satisfied 16 percent of the rolled steel and 6 percent of plate glass needed.

The ministry officials said that it was necessary to mobilize the efforts of the state, collective and individuals to produce building materials. Now there are 5,270 state-owned enterprises producing building materials. In addition, there are more than 2,000 small cement plants run by people's communes and their subdivisions.

The ministry officials said that China now had more than 600 enterprises producing prefabricated concrete parts for its rural population to save timber now in short supply in many parts of the country.

In addition, the state will cut capital construction to save rolled steel, cement and other building materials for housing construction in the countryside. Provincial people's governments will also increase subsidies to building materials production for the same purpose.

Recently, Tianjin Municipality has decided to establish rural house plants to provide complete homes for the peasants on the city outskirts.

The ministry also encouraged peasants to use materials available locally to build houses.

CSO: 4020/075

CONSTRUCTION

BRIEFS

HEBEI'S TANGSHAN HOUSING--Tangshan, 5 February (XINHUA)--Another 30,000 and more families in the earthquake devastated city of Tangshan moved into new houses in 1983, according to local authorities. Thus far, more than 140,000 families, or 85.8 percent of the total, have been settled in new apartment buildings. Almost all the dwelling houses in Tangshan were destroyed on 28 July 1976 in an earthquake measuring 7.8 degrees on the Richter Scale. Large scale reconstruction started in 1979, and by the end of 1983, 8.36 million square meters of housing had been completed. Most of the new buildings are five or six storey blocks containing one to three bedroom flats with central heating and gas supply. The city has also built 169 shops, 45 middle schools, 67 primary schools and 49 kindergartens. [Text] [OW050832 Beijing XINHUA in English 0729 GMT 5 Feb 84]

CSO: 4020/071

DOMESTIC TRADE

NATIONAL TELEPHONE CONFERENCE OF COMMERCIAL ENTERPRISES HELD

Beijing SHANGYE KUALJI [BUSINESS ACCOUNTING] in Chinese No 12, 10 Dec 83 pp 1-3

[Speech: "Comrade Jiang Xi's [1203 5045] speech on Stopping Losses, Increasing Profits and Improving Economic Results, Delivered at an Urgent Telephone Conference of Commercial Enterprises throughout the Country (Excerpts)"]

[Text] To implement the State Council's directive to stop losses and increase profits by the enterprises, the Ministry of Commerce held an urgent telephone conference of commercial enterprises throughout the country on 2 November 1983, calling for efforts to stop losses, increase profits, and improve economic results. Minister Liu Yi [0491 3015] presided over the meeting, and Vice Minister Jiang Xi made a speech. Representatives of the Anhui Provincial Grain, Oil and Food Bureau, the Sichuan Provincial Supply and Marketing Cooperative, the Second Municipal Commercial Bureau of Shijiazhuang, Hebei Province, and the county commercial bureau of Jiangyin, Jiangsu Province, separately introduced the experiences of their enterprises--which dealt in grain, vegetables and other foodstuffs or undertook supply and marketing--in stopping losses, increasing profits and improving economic results. Excerpts of Vice Minister Jiang Yi's speech are as follows:

During the first 9 months of this year, compared with the same period last year, the net sales of commercial enterprises increased by 6.96 percent, their expenditures were reduced by 0.33 percent and their profits increased by 18.8 percent. The number of commercial enterprises and supply and marketing cooperatives incurring losses was reduced by 452, total losses were reduced by 114 million yuan and the subsidies for grain enterprises were reduced by 78 million yuan.

Along with the development of industrial and agricultural production and the continued expansion of business activities, the economic results of the commercial departments have improved in varying degrees, compared with last year. They made certain achievements. This is the outcome of the correct policies of the central authorities and the special attention of the local party and government organs as well as of hard work on the part of the commercial cadres and workers. This point must be affirmed. However, we must also realize that the improved economic results of the commercial departments during the first 9 months of this year were only relative to the poor results of last year--the

worst since 1978. They are still far behind the best results previously attained. Furthermore, some regions and trades even failed to maintain last year's performance, since their economic results are continuing to deteriorate, some of them to a fairly serious extent.

The poor economic results in commerce in the past 1 or 2 years might be due to such objective factors as the readjustment of commodity prices, the increased interest rates on bank loans and the conversion of enterprises to other lines of production. However, we should not be complacent by stressing the objective factors alone. We must realize that serious problems exist in enterprise operation and management. For example, when such problems as an irrational organizational structure, a mediocre work force, a low standard of operation and management and a lack of adaptability and of the power of competition remain unsolved, many enterprises' business mentality, sense of responsibility, workstyle and mode of operation will fail to catch up with the developments. There are also serious losses of properties and damage to commodities, while such economic crimes as graft, embezzlement, speculation, profiteering and violations of financial and economic discipline are fairly prevalent. Many such examples can be cited at the county, provincial, municipal or prefectural levels. Recently, the leading comrades of the party Central Committee and the State Council have repeatedly criticized the commercial sector for its inadequate attention and weak leadership in stopping losses and increasing profits. This responsibility should first rest with the ministry. From now on, the commercial administrative departments and the enterprises at all levels must make an effort to catch up with the developments.

The First Session of the Sixth NPC called for a continued basic balance of financial receipts and payments. This is a political task for all commercial workers and staff members. At present, the state relies on the taxes paid and the profits turned in by state-run industrial and commercial enterprises as the main source of revenues. In the past several years, the subsidies for losses incurred in the implementation of commercial policies and the amount of operational losses have continued to increase, adding to our financial burden. This shows that whether commercial enterprises are well run and whether the work of stopping losses and increasing profits is being properly attended to have a direct bearing on the state's financial budget. This point must be well understood by all commercial workers and staff members. Therefore, the commercial administrative departments at all levels and the enterprises must speed up their reorganization and make an effort to improve their operation and management. On the premise of improving their business activities and conscientiously implementing the relevant policies of the party and the state, they should increase their revenues, reduce their expenses and losses, raise their profit level and improve their economic results as a contribution to the basic balance in the finances of the current year.

1. We must study diligently in order to increase our knowledge and must change our mentality before we can stop the losses. Recently, the leading comrades of the State Council pointed out two prerequisites for a fundamental solution of the problem of losses incurred by enterprises. First, the enterprises should have their own decision-making power, and second, there must be unity of planning and of the law of value so that the pricing system will be rational and

able to serve as a radical, forceful and vital remedy for the enterprises' problems. It was precisely because of the lack of a radical remedy that the financial situation became increasingly difficult. Therefore, we must, on the one hand, study the reform of the tax system and the pricing system as a preparation for the radical remedy. On the other hand, we should spend 1 or 2 years trying to stop losses, increase profits and reduce the administrative expenditures so as to create the necessary conditions for a radical remedy. The cadres and workers of commercial departments at all levels should conscientiously study the State Council documents and fully recognize the serious nature of inefficient enterprise operation and management and of their losses and waste as well as the importance and urgency of the task of stopping losses and increasing profits. They must do so to increase their revenues and must change the idea that the deterioration of economic results should be attributed to objective factors. We must truly treat the improvement of economic results as our central task.

2. The key to stopping losses and increasing profits lies in leadership. The commercial departments at all levels must conscientiously implement the directives from the leading comrades of the party Central Committee and the State Council. They must regard the stopping of losses and the increase in profit as important tasks to be included in their meeting agenda and as their main task in the reorganization of enterprises in this and the following year. The system of responsibility to be borne by the chief must be enforced in the same way as in controlling the scale of capital construction. In an enterprise, the factory director and the manager should bear the responsibility, and within a trade, the department in charge and the bureau chief should do the same. Within a department or an enterprise directly under the department, the department chief will have to take the responsibility. He will be held responsible for any failure to stop losses and increase profits.

3. Clear goals must be set for stopping losses and increasing profits along with the formulation of realistic measures. For the period from October to December this year, the goals set by us are as follows: The commercial enterprises should ensure that all revenues due, as stipulated by the state, are paid into the state treasury and make a special effort to overfulfill the plan. Commercial enterprises at all levels should also be sure that their own shares of revenues are turned into the treasury. For those enterprises incurring losses, the amount of losses in the 4th quarter of this year should be less than that of the same period of last year by 20-30 percent. The supply and marketing cooperatives should ensure that the annual profit plans approved by various local authorities are completed, that their profits increase along with the increase of sales and that the procedures of handing in their profits and paying taxes are strictly followed. Those incurring losses should reduce the losses in the 4th quarter of this year by 15-20 percent below the same period of last year. For the grain enterprises, the subsidies must not exceed the planned figure. (This restriction does not apply to the subsidies for increased payments for above-quota grain procurement resulting from the reduction of imported grain and the increased domestic grain purchases outside the plans.) During the 4th quarter, the subsidies for operational expenses of grain enterprises will be reduced by 8-10 percent below the same period of last year. The

number of enterprises which have all along incurred losses must be reduced, and measures must be taken to guard against the appearance of new unprofitable enterprises. From the national point of view, the focus of our work is to stop the losses in selling grain, oil, vegetables and other foodstuffs by the enterprises and the supply and marketing cooperatives. Those enterprises which are making profits should further increase their profits, and the increase in profits should surpass the increase in their sales.

As for the goals of stopping losses and increasing profits next year, we have already issued a notice calling on all the provincial, municipal and prefectural commercial units, grain departments (bureaus) and supply and marketing cooperatives to submit their reports before 10 November. Next year, according to an initial estimate, the enterprises incurring losses because of poor management should be basically eliminated, while the commodity losses caused by the poor management of the enterprises now making profits should be greatly reduced. If hogs are bought and sold locally in a county, no loss can be allowed, while those losses incurred in the implementation of policies should be strictly controlled, although subsidies will still be granted according to state regulations.

4. During the present busy season on the market, we must try every possible way to promote production, to increase sales and to reduce circulation expenses. This is the basic way for commercial enterprises to stop losses, to increase profits and to improve economic results. In line with the principle of the leading role of planned economy and the supplementary role of market regulation, we should continue to uphold the policy of unified procurement, assigned procurement and negotiated procurement. We should sign contracts for procurement, energetically promote sales, form joint agricultural-commercial ventures to bring both agriculture and commerce into closer relationship and realistically solve the difficult problem of selling. Industrial products should be bought and sold in different ways. Production should be coordinated with marketing so that there will be easily marketable products and increased commodity sales to meet the increasing needs of the urban and rural population better. At the same time, we should actively and yet cautiously dispose of the problem commodities, increase the market supply and minimize state losses. Here we should emphasize the need to combine business activities with the job of stopping losses and increasing profits. In stopping losses and increasing profits, we must first of all correctly implement the policies, set right our business mentality and guard against the one-sided quest for profit. Arbitrary price hikes and shifting losses on to others must not be permitted, and the legitimate interests of both the producer and the consumer should be protected according to set policies.

5. Stopping losses and increasing profits should be regarded as one of the important tasks in the reform and reorganization of enterprises. All regions and departments must treat the enterprises, which incur losses, as their main concern in the all-around reorganization. Those whose chaotic management has brought about serious losses and waste or whose losses from poor management have continued for a number of years must reverse the trend within set time limits. In accordance with the demands of the State Economic Commission, we have provided the motive force as well as have exerted pressure on these

enterprises. Those who have stopped their losses ahead of schedule will have their losses subsidized as originally arranged, while those who fail to stop their losses within the time limit will forfeit these subsidies and will not be allowed to pay any bonus or to request a readjustment of wage scales. The departments in charge should first help them streamline their leading bodies. Subject to the concurrence of the party committees concerned, incompetent cadres should be dismissed on the spot. Those enterprises incurring serious losses because of poor management should be closed, suspended, merged or retooled. The small basic-level supply and marketing cooperatives whose revenues are insufficient to cover their expenses should be merged.

The State Economic Commission further called on all departments and regions to pay special attention to losses caused by poor management but camouflaged as losses incurred in the implementation of policies. Commercial departments at all levels must thoroughly investigate the losses from selling grain, oil, hogs, vegetables, cotton for padding and some means of agricultural production in accordance with set policies and then verify the losses incurred on each type of products in each unit. These losses will be accounted for separately. This will further clarify the demarcation between losses incurred in implementing policies and those caused by poor management and will expose the latter hitherto disguised as the former. Measures will also be adopted to eliminate these disguised losses. Losses incurred in the implementation of policies in different areas and different trades and under different circumstances will be separately reported to their departments in charge according to their affiliations so that reasonable subsidies can be determined. Excessive losses will not be subsidized, but unused subsidies can be shared by the enterprises concerned.

Through restructuring and consolidation, all enterprises should further carry forward the glorious tradition of hard struggle, diligence and frugality, save on the use of funds, and reduce expenditures and losses. The makeup of the commodity inventory should be improved and streamlined, and all outstanding accounts should be settled in order to expedite the turnover of funds. Delivery checks and the custody of commodities should be strengthened. We should also perfect the responsibility system, strengthen economic accounting and increase the profits. The official expenses of administrative units and public agencies as well as the operating expenses of the enterprises should be curtailed, since spending little money can produce strong political effects. This year, we must resolutely follow the State Council's regulations under which the central government units' expenditures will be reduced by approximately 30 percent, and those of local units above the county level will be reduced by approximately 20 percent.

6. The general financial checkup must be carried out conscientiously, and the financial and economic disciplines must be strictly enforced. The scope of this general checkup will include not only the enterprises and public agencies but also the departments in charge of these enterprises and the commercial administrative departments at all levels.

The way enterprises stop losses and increase profits must be carefully verified. Resort to trickery or the falsification of reports on losses or profits

cannot be permitted. Diversion of state subsidies to other uses, such as repairing or building mansions, halls or offices is strictly forbidden. The payment of bonuses should be strictly controlled, and such payments must not exceed the approved amounts. Institutional purchases of commodities should also be strictly controlled, and the purchase of any item under control will not be approved this year. We must strengthen our price control, prohibit the raising or lowering of grades and prices at will and follow the regulations. Deceptions and violations of financial and economic discipline will be severely dealt with, and the leadership of the enterprise and the departments in charge concerned will be held responsible for any irregularity. Should the checkup reveal any economic crime, we must organize the forces to deal relentless blows to the culprits, who must be dealt with swiftly, heavily and severely. In the light of existing problems, we must also close the loopholes, set up and perfect the rules and regulations in order to protect state properties from damage.

9411

CSO: 4006/254

DOMESTIC TRADE

CONSUMPTION INCREASES IN RURAL AREAS

Beijing JINGJI RIBAO in Chinese 28 Nov 83 p 2

[Article: "Good Economic Situation in the Rural Areas; Consumption Shows Obvious Increase; Retail Sales of Social Commodities at the County or Lower Level during January to September Increased 7.1 Percent Compared to the Same Period Last Year."]

[Text] According to information obtained by our reporter from the Ministry of Commerce, retail sales of social commodities at the county or lower level throughout the country during the period from January to September amounted to 94.56 billion yuan, an increase of 6.23 billion yuan, or 7.1 percent, compared with the same period last year. In this sum, the retail sales of agricultural production materials rose 9 percent and goods for daily use 6 percent. The purchasing power of the peasants was spent not only on materials for agricultural production but much more than in previous years on items to improve their livelihood.

Since the start of this year, demands by the peasants for consumer goods for daily use markedly increased. In the case of foodstuffs, a remarkable increase was shown in the demand for medium- and high-grade items, prepared foods, beverages, flavorings and certain nutriments. From January to September, the sale of sugar in the rural areas increased 11.3 percent, cigarettes 7.5 percent and alcoholic drinks 8.5 percent compared to last year. In the case of clothing, the demand for medium- and high-grade cloth and clothes increased, sales of dacron-cotton blended fabrics increased 42.4 percent and sales of medium- and long-fiber cloth increased 1.3 percent. Even larger changes occurred in the sales of articles for use, as compared with last year. Increases for bicycles and watches slowed down. The quantities of sewing machines in consumers' hands greatly increased, but sales of famous brands declined because of insufficient supplies. A huge increase was registered in the demand for electrical appliances for household use; sales of television sets increased 30.5 percent, sales of recorders almost doubled and the supply of famous-brand television sets and recorders could by far not satisfy peasant demand. Household washing machines and refrigerators also began to find their way to the rural markets.

Many localities have expressed the opinion that the composition of the commodities now coming to the markets is in many respects not yet adapted to the needs of the peasants. There is an inadequate supply of a part of production and housebuilding materials and an insufficient supply of certain famous-brand high-quality industrial goods for daily use. Better solutions must also be found for such problems as the insufficiently balanced development and distribution of commercial network outlets in the rural areas and the difficulties for purchases and sales in remote mountainous areas.

9808

CSO: 4006/192

FOREIGN TRADE

JIANGSU'S ECONOMIC COOPERATION WITH THIRD WORLD

Nanjing XINHUA RIBAO in Chinese 25 Nov 83 p 1

[Article by Yao Guoguang [1202 0948 0342]: "Increased Cooperation between Our Province and Countries of the Third World; Dispatch of 10,000 Persons on Different Occasions to 27 Countries for Economic Assistance, Engineering Projects and Service Cooperation"]

[Text] Under the unified plan and guidance of the state, there has been a continuous growth of economic and technical cooperation between our province and countries of the Third World. According to statistics by the departments concerned, up to the present our country has undertaken 84 economic assistance projects in 27 countries, of which 48 projects have already been completed. In addition, 35 service and construction contracts have been signed. About 10,000 engineering and technical personnel as well as workers have been dispatched on different occasions to Third World countries, and over 1,300 foreign trainees have come to this province for training.

Our economic and technical relations with the Third World countries began in the early 1960's. For the purpose of assisting the peoples of the Third World in their just struggle to defend their national independence and oppose imperialism, colonialism and hegemonism, the state entrusted the governments at all levels of our province with the task of economic assistance and of promoting sincerely and wholeheartedly the development of the economic, cultural and public health affairs of the recipients of this aid. The personnel that we sent abroad displayed the spirit of internationalism and showed an attitude of culture and discipline. They worked cautiously and conscientiously, showed solidarity and cooperation with the people of the countries that received aid and achieved excellent results in their economic assistance projects. For instance, the Mbarali farm in Tanzania, which our province had undertaken to build, has produced a rice crop of over 1,000 jin per mu year after year, even since it started production in 1977. The annual production of rice from this farm accounts for about one-quarter of Tanzania's market requirements. President Nyerere awarded the farm a certificate of merit, the "First Class Award for National Farm Production." There is also the example of the gymnasium and its comprehensive equipment built by our province in Western Samoa, an excellently and quickly executed engineering project which ensured that the Seventh South Pacific Athletic Games could be held in time.

Observing the principle of "equality and mutual benefit, striving for actual results and employing a variety of forms and achieving joint development," the economic and technical relationship between our province and the countries of the Third World advanced since 1980 from forms of purely economic aid to such varied forms as contracts for engineering projects, service cooperations, cooperative production and joint-venture business operations. The subjects of such cooperation are also quite varied. The construction contracts were for the construction of housing and factories and for complete sets of installations. The contracts for technical services and service cooperation comprised scores of activities such as those concerning architecture, painting, plastics, agriculture and forestry, spinning and weaving, light industry, etc. Although we were late in entering the field of contracting for services, we were able to gain an excellent international reputation due to the sincerity of our cooperation with the countries of the Third World. Engaging in these service contract activities also tempered our own engineering and technical personnel and our workers and spurred on the relevant enterprises and units of our province to strive for technical reforms and advances.

To strengthen the economic and technical cooperation with the countries of the Third World further, the foreign Trade Bureau of our province called a province-wide economic assistance work meeting from 21 to 24 November to transmit the spirit of the national foreign assistance work meeting and to discuss arrangements for future work. Provincial Vice Governor Zhang Yuwu [1728 4872 2976] attended the meeting and gave a speech.

9808

CSU: 4006/191

FOREIGN TRADE

IMPORT OF COMMUNICATIONS FACILITIES INCREASING

OW162358 Beijing XINHUA in English 1443 GMT 16 Feb 84

[Text] Beijing, 16 Feb (XINHUA)--The Chinese Government has approved plans to import program-controlled telephone exchange systems for Chongqing, Dalian and Chengdu, according to a national economic work conference now in session here.

Contracts have already been signed on importing similar facilities for Beijing, Shanghai, Guangzhou, Xiamen, Shenzhen and Tianjin.

An all plastic cable production line imported from the United States will be put into operation this year, the conference was told by the Ministry of Posts and Telecommunications. A program controlled telephone exchange system production line, a joint venture with Belgium, will open in 1985.

China has been increasing imports of communications facilities to improve its posts and telecommunications services, now considered a weak link in its national economy.

Capital construction of posts and telecommunications projects was also being accelerated.

Projects already underway included a Beijing-Wuhan-Guangzhou coaxial cable system and an international telecommunications center in Beijing.

An additional 200,000 telephones were installed in China's cities last year, while 2,841 long-distance telephone lines opened.

CSO: 4020/075

FOREIGN TRADE

CHEN MUHUA REVIEWS PRC FOREIGN TRADE SINCE 1979

HK170746 Beijing CHINA DAILY in English 17 Feb 84 p 4

["Opinion" column--first two grafs published in boldface]

[Text] "It is China's long-term policy to open to the world. With the development of China's economic and foreign trade work, this policy will continue to expand in terms of content and means in the future." Chen Muhua, state councillor and minister of foreign economic relations and trade told the journal China's Foreign Trade.

Chen gave a review of the development of China's foreign trade since 1979, and answered questions about the present trade situation in various respects. Excerpts follow:

China's foreign economic relations and trade have made significant progress since 1979. The total import-export volume rose from \$20.6 billion in 1978 to \$38.6 in 1982.

When asked about China's import of machinery and equipment from Western Europe and North America, Chen said, in the past few years, plans for China's national economy have been readjusted. With a scale-down of capital construction, the import of turn key plants and some building materials has been appropriately cut down. However, there is no significant decrease in China's total import volume.

"For instance, China's import volume in 1979 was \$15.6 billion; in 1980, \$18.6 billion; in 1981 \$19.1 billion; and the 1982 figure dropped to \$17 billion. This decrease was caused by a lowering of prices on the world market. Eliminating the price-cut factor, China's import volume in 1982 was equal to that of 1981.

From 1983 to 1985, China will import 3,000 items of advanced technology to upgrade existing enterprises.

Therefore, China's major imports in subsequent years will be machinery, equipment and materials needed by the nation's key construction projects.

To the question about the use of foreign funds in China, Chen said, since 1979, China has been carrying out a policy of attracting foreign funds. This policy has gotten off to a good start.

From 1979 to 1982, China accepted \$10.8 billion of foreign loans (of which \$7.1 has been repaid), including funds provided by foreign governments and banks, international financial organizations and entrepreneurs. China also accepted \$1.7 billion direct investments from foreign countries, and Hong Kong and Macao. The total foreign funds brought in were \$12.6 billion.

China is ready to be more flexible in her policies so as to guarantee reasonable profits to investors from other countries and the Hong Kong/Macao regions through relevant legislation work.

China would be more flexible in attracting foreign funds to be used on the nation's key projects and technical transformation, Chen explained. It means that direct investors from foreign countries and the Hong Kong/Macao regions are welcome. More priorities should be given to them. For instance, a number of rules governing taxation has yet to be revised; more preferential treatment will be given to investors. In light of different conditions, products from joint ventures run in China will be sold in a number of China's domestic markets. More preferential treatment will be given to those overseas Chinese and compatriots from Hong Kong, Macao and Taiwan who invest in China.

Apart from the four special economic zones--Shenzhen, Zhuhai, Shantou and Xiamen, other coastal cities may permit businessmen from foreign countries and Hong Kong/Macao regions to run sole-proprietory enterprises there. More economic legislations will be enacted as soon as possible. As for those joint ventures already in operation, we should guarantee that their boards of directors will be able to exercise their functions and have policy making power.

CSO: 4020/075

LABOR AND WAGES

JINGJI RIBAO ON URBAN EMPLOYMENT SCHEMES

OW211020 Beijing XINHUA in English 0750 GMT 21 Feb 84

[Text] Beijing, 21 Feb (XINHUA)--Chinese financial departments have spent 2.4 billion yuan (about 1.2 billion U.S. dollars) on urban employment schemes during the past five years, today's ECONOMIC DAILY reports.

The money was mainly used to help train young people waiting for job assignments and aid collective enterprises, the paper says.

According to the State Statistical Bureau, more than 20 million young people have been given jobs since 1979. By the end of 1983, 116.89 million people were employed in China's cities and towns, 2.61 million more than at the end of 1982.

Among them, 114.82 million were workers at state or collectively owned enterprises, the bureau said. [A total of] 2.07 million people were listed as self-employed, 600,000 more than at the end of 1982 and the biggest annual rise registered since 1979. Among the newly self-employed, 490,000 were in the commercial, catering and service trades, accounting for 81.7 percent of the total. They played an important role in enlivening the economy and making things easier for urban residents, the bureau officials said.

The central financial department has allotted 100 million yuan a year to aid labor service companies and job training schemes in addition to local appropriations, the ECONOMIC DAILY says.

There are now nearly 20,000 labor service companies in the country. In 1983, they set up 100,000 production and service units employing 2.9 million young people.

CSO: 4020/075

TRANSPORTATION

PRC OPENS LONGEST INLAND RIVER TRANSPORT ROUTE

OW031051 Beijing XINHUA Domestic Service in Chinese 0003 GMT 4 Feb 84

[By reporter Qiu Jingdong]

[Text] Kunming, 3 February (XINHUA)--At the beginning of the new spring, gratifying news came from the Yunnan provincial transport departments: After a year of crisscross navigations on the Jinsha Jiang and the Chang Jiang in 1983, Yunnan Province's long-distance cargo transport fleet is now able to reach the south of the lower reaches of the Chang Jiang smoothly and directly, thus opening our country's longest inland river route.

The route, which is 2,900 kilometers in length, starts at the Shuifu County Port, Yunnan Province, and reaches Shanghai directly via the Jinsha Jiang and the Chang Jiang.

With numerous mountains and waters crisscrossing its area, Yunnan Province has used highways as its major transport facility, and the province has a very weak foundation in water transport. The Jinsha Jiang, which passes through the northern part of Yunnan Province, was once described by the great traveler Xu Xiake of our country's Ming Dynasty as "meandering through dangerous gorges, providing neither land nor water transportation route." In the past 2 years, with the province's fast economic development, a pressing need for opening more avenues and strengthening transportation has arisen. On the foundation of its small, short-distance fleet, Yunnan Province's Jinsha Jiang Navigation Company has added four long-distance cargo transport fleets with a total tonnage of 3,300 tons, which operate along the Jinsha Jiang from the Yunnan and Guizhou highlands to the middle and lower reaches of the Chang Jiang. In addition, it has successively inaugurated the Jialing Jiang, Min Jiang, Xiang Jiang and Jiu Jiang routes. Its yearly cargo transport volume in 1983 reached 38.61 million ton-kilometers.

The establishment of long-distance fleets has preliminarily opened a waterway for Yunnan Province, a province which abounds in natural resources. It has a tremendous significance, particularly to the exportation of coal, sulfur, and other abundant supplies in the northeastern part of Yunnan Province. At present, Yunnan Province's departments concerned have decided to further develop Yunnan's water transport industry by expanding the Shuifu Port and the long-distance fleets.

TRANSPORTATION

BRIEFS

POSTS, TELECOMMUNICATIONS QUOTAS EXCEEDED--Beijing, 31 December (XINHUA)--The Chinese Ministry of Posts and Telecommunications reports that it has exceeded its major quotas for 1983. The volume of postal and telecommunications traffic was valued at 2.217 billion yuan (about 1.1 billion U.S. dollars), topping the annual target by 8.6 percent over 1982. The ministry earned profits of more than 500 million yuan, setting a new all-time record. Over 216,000 new telephone lines were installed in China's cities this year, bringing the total number of installations to 622,000 since 1981 and meeting 88.85 percent of the sixth 5-year plan (1981-1985). More than 2,000 trunk circuits were completed in 1983, 778 more than called for in the annual plan. The ministry has installed 6,372 trunk circuits over the past 3 years, surpassing the target for the sixth 5-year plan by 6.2 percent. The ministry attributed the gains to consolidation of its enterprises and improvements in services during 1983. [Text] [OW310736 Beijing XINHUA in English 0711 GMT 31 Dec 83]

NATIONAL HIGHWAY NETWORK GROWS--Beijing, 5 February (XINHUA)--China now has highways totalling 907,000 kilometers, of which 620,000 kilometers are local highways for rural counties and communes (townships), according to Communications Department. Over 90 percent of China's rural communes now have highways and bus service has reached 65 percent of the rural communes. However, in early post-liberation days, China's highways had a total mileage of only 75,000 kilometers and there were almost no highways in the countryside. The rapid development of highways in the countryside has facilitated the interflow of commodities between cities and countryside and promoted industrial and agricultural production. An investigation in China's Sichuan Province shows that, as a result of the development of highways in the mountainous areas in the past 6 years, nearly 20 million workdays and 78 million yuan have been saved in transportation. [Text] [OW05902 Beijing XINHUA in English 0852 GMT 5 Feb 84]

MARITIME BUOY SYSTEM--Beijing, 11 February (XINHUA)--According to the Ministry of Communications, China will conduct trials in Xiamen Harbor, Fujian, in late February to test and verify the adoption of the International Maritime Buoy System. In the next few years, China will also reform the navigation marker system in all sea areas to raise the efficiency in navigation. In 1983, China formally notified the International Navigation Marker Association of its decision to reform the navigation marker system. [Summary] [Beijing XINHUA Domestic Service in Chinese 0906 GMT 11 Feb 84 OW]

VESSEL FOR LIBERIA--Shanghai, 16 Feb (XINHUA)--A 27,700-ton cargo vessel built by the Jiangnan shipyard here for Bardolf Shipping Incorporated of Liberia was handed over to its owner Wednesday. Named "Noble River", the ship measures 196.45 meters long and 23 meters wide. With a main diesel engine of 10,700 horsepower, she can reach any port in the world without refueling. This is the fifth 27,700-ton ship built for other countries by the Jiangnan shipyard. It plans to build eight ships this year, more than in any previous year. [Text] [OW161422 Beijing XINHUA in English 1324 GMT 16 Feb 84]

SHANDONG-HENAN BRIDGE--Jinan, 15 Feb (XINHUA)--Construction began today on China's longest railway bridge across the Yellow River between Henan and Shandong provinces. The 10,282-meter bridge will be 3,300 meters longer than the Yangtze River bridge at Nanjing, the longest so far built in China. Built on the lower reaches of the Yellow River, where the river's course is erratic, the two approaches on the banks will have a total length of 8,600 meters, the longest ever in China's bridge building history, to protect the bridge during flood. The bridge will be a major link in the Xinxiang-Heze railway now under construction. A key project during the sixth five-year plan period, the railway will help transport coal from coal producing province of Shanxi to other parts of the country after completion. [Text] [OW181450 Beijing XINHUA in English 1431 GMT 18 Feb 84]

SHANGHAI-SINGAPORE CARGO SERVICE--Shanghai, 18 Feb (XINHUA)--The Shanghai-SINGAPORE regular bulk cargo carrier service is expected to open on February 23, according to the Shanghai Ocean Shipping Company. The 11,000-ton "Qinghecheng" will ply the route. The cargo carrier will set sail on the 23d of each month from Shanghai to Singapore and depart from Singapore to Shanghai on the 7th of the next month. [Text] [OW180942 Beijing XINHUA in English 0856 GMT 18 Feb 84]

CSO: 4020/075

GENERAL

JIANGSU CONFERENCE ON ECONOMIC WORK RESULTS REPORTED

Nanjing XINHUA RIBAO in Chinese 19 Nov 83 p 1

[Article: "In the Present Excellent Economic Situation Further Energetic Efforts must be made for Even Greater Economic Results. The Seventh Plenary Session (Enlarged) of the Sixth Provincial CPC Congress Studied the Directives from the CPC Central Committee and the State Council and Determined the Arrangements for Next Year's Economic Work."]

[Text] The Seventh Plenary Session (Enlarged) of the Sixth Provincial CPC Congress of Jiangsu Province made a serious study of the directives from the CPC Central Committee and the State Council, analyzed this year's economic situation in our province and decided on arrangements for next year's economic work. They furthermore clearly and definitely put forward the idea that raising economic results will still be the core of our province's economic work during the next year. We must further do a good job of readjusting and reorganizing, speed up technical reforms, push on organizational reforms, ensure completion of our key construction projects, resolutely work on transforming deficits into a surplus, increase revenue and make greater contributions in the endeavor to improve the financial and economic condition of our state further.

The meeting expressed the opinion that from the beginning of this year, the party committees and governments at all levels, our numerous cadres as well as the masses have resolutely implemented and put into effect the whole set of directives on economic work issued by the CPC Central Committee and the State Council, that as a result a new development was experienced in all the various fields of our economic work and that our economy is now in an excellent condition. This is mainly indicated in the following phenomena:

Continued increases in agricultural and industrial production. Following last year's breakthrough in grain production, topping a quantity of 50 billion jin, and in industrial production, topping an output of 50 billion yuan, there have been new developments. Early this year, the provincial party committee and the provincial government put forward the demands of "guarantee 2 percent, but strive for 3 percent" of the growth in agriculture and of "guarantee 6 percent, but strive for 7 percent" of the growth in industry, which according to forecasts could even be exceeded. Records will be established in grain and cotton production. Economic diversification will be further developed.

The quantities of silkworm cocoons, tea leaves and pork on the hoof brought to market all were increased this year, to varying degrees, compared to last year. The value of production from commune and brigade enterprises during the period from January to October increased 19.7 percent; the value of industrial production during the same period increased 12.9 percent, both compared with the same period last year. The increase in light industry was 11.9 percent and in heavy industry tending to become well coordinated. All industrial production shows a tendency toward healthy development.

Improved business management in the industrial and commercial enterprises. More and more industrial enterprises are changing from production-type to production management-type operations. At the end of September, the amount of production capital used by local state-operated industrial enterprises throughout the province declined 12.9 percent compared with the corresponding time last year. The total number of commodity procurements and sales continuously increased. During the period from January to October, the total number of retail sales of social commodities throughout the province increased 6.7 percent compared with the same period last year. The total number of procurements by state commerce increased 3 percent compared with last year. The net number of domestic sales increased 9.1 percent compared with last year. Procurements for foreign trade during January to October increased by 5.5 percent. Exports increased by 7.6 percent compared with last year.

Reorganization of enterprises is now in full swing. The number of enterprises in the province that have been checked and found up to standard is 546. Of these, 430 were transformed within the first plan, and 110 enterprises carried out their own reorganization. Quite a number of enterprises that were checked and found up to standard realized and turned in profit increases faster than the increases achieved in their sales, and their sales incomes increased faster than their output value. Through readjustments, the quality of enterprise operations has improved.

Restructuring of the system has proved effective. Reforms have been carried out throughout the entire province to institute a system of municipality-administered counties, to institute a reform of the administrative system by a separation of government administration from commune management, to carry out the change from profit delivery to taxation, to have one joint testing point for production and sales of textiles and to have commerce operate on the basis of a contract responsibility system, and other such measures of restructuring the economic system have been instituted, which have propelled the whole economy forward.

Acceleration of key construction projects. There have been important improvements in the investment structure of capital construction in our province, central government items having been made to exceed local items. From January to October, completed investments amounted to 1,379 billion yuan, accounting for 59.6 percent of the annual plan. Among these, completed central government investments account for 54.7 percent of the annual plan and completed investments for local items account for 35.1 percent of the annual plan, the rate of progress being faster in the case of central government items than in the case of local items.

Revenue is better than in former years. From January to October, provincial revenue increased 9.7 percent compared with the same period last year, and this already fulfills the annual budget figure by 91.2 percent. Revenue basically increases at the same pace as the gross output value of industry and agriculture.

The meeting also pointed out that this year's economic work is beset with quite a number of problems. The institution in agriculture of various forms of contract responsibility systems with remuneration linked to output has wrought many changes in the work in the rural areas, but in many respects our actual work has not yet been fully able to adapt to these changes. Many weaknesses are therefore apparent in the diversified production and in the services preceding and following production. No good solution has yet been found for the problems of "can't buy it" and "can't sell it," nor was there any fundamental improvement in the state of low economic results in industrial production as well as in commercial circulation.

The meeting expressed the opinion that economic work should achieve ever greater successes because next year is the 5th year of implementing the policy of "readjusting, restructuring, reorganizing and upgrading," the 3d year of our efforts to achieve a fundamental turn for the better in the financial and economic conditions of the state and also the 1st year of the overall party rectification. The meeting discussed the struggle objectives in next year's economic work and was of the opinion that the tasks are extremely arduous. On the one hand beneficial conditions for the development of the economy have become fully apparent, but on the other hand adverse elements, such as those related to energy and raw materials, must be taken into full account. Mentally we must not be heedless and engage in unrealistic optimism but rather must promptly adopt measures to overcome our difficulties and exert ourselves in building a reliable foundation for our new objectives.

The meeting pointed out that fulfillment of our next year's economic task will require, first, a further rectification of our guiding ideology in economic work. 1) Our emphasis must be on results. We must further improve our handling of the relationship between quantities and quality and between rates of growth and results. We must truly direct all economic work to a course which has the raising of economic results as its core objective, and we must achieve an integration of economic results, environmental results and social results. 2) We must emphasize the overall situation. The leadership as well as the grassroots units must correctly deal with the relation between the parts and the whole regarding such areas as capital and materials supplies, production and transportation needs. Even if there are difficulties in providing the local administrations or enterprises with needed capital, the task of raising funds to fulfill the assignment of the state must be accomplished. No matter how much capital construction there is, the key construction projects of the state must be first ensured of completion. No matter how pressing production and transportation problems are, the production and transportation tasks to supply the needs of key projects, as for instance, coal supplies, must be fulfilled on schedule and in good quality, and all economic activities must be "coordinated like pieces in a chess game." 3) We must emphasize contribution. We must effectively deal with the relationship between the state on the one hand and the localities, enterprises and

individuals on the other hand. We must effectively deal with the relationship between production and consumption. According to the principle of unified planning with due consideration for all concerned, we must give first priority to the interests of the state, and the improvement of the people's livelihood must be based on the foundation of production development.

Second, simultaneously with the intensified implementation in the rural areas of the party's policy, attention must be paid to developing productive forces. The development of productive forces must rely on the accumulation of labor by the peasants and the continued building of irrigation and water conservation projects in the fields and on raising the capability to combat natural calamities. Basing our actions on the natural conditions and the economic situation of whatever locality is concerned, we must effect technical reforms in the agricultural machinery that is presently being used and gradually develop new agricultural machinery to raise our agricultural capacity and our labor productivity. We must also make great advances in such areas of science and technology as extending the use of superior varieties and popularizing high-yield cultivation techniques, rational application of fertilizer and the prevention and control of the main plant diseases and insect pests. We must devote a major effort to the development of diversification and continue to lead agriculture to broader and more intense developments.

Third, industry must aim at raising quality. Under the conditions of the daily intensifying competition on the market place, the development of industry must focus attention on reliance on technological progress and improve the quality of enterprise operations. Looking at the conditions in our province, we must seek results and strive for speed in improving the level of our organization and technology and in developing new industries. Since a special feature of industry in our province is the predominance of small enterprises, we must energetically strengthen the organizational work among the enterprises. We must treat this as fighting a battle for the improvement of industry and must definitely open up a new prospect by changing from "small but complete" to "small but specialized" types of enterprises. Looking at another special feature of industry in our province, namely the preponderance of old enterprises, we must make efforts to speed up the pace of technological transformations. We must pay attention to the development of new industries. Traditional industries must also respond to the industrial revolution and open up a new prospect in the employment of new technologies and the development of new products.

Fourth, we must relentlessly pursue the work of turning deficits into surplus. Recently, the CPC Central Committee and the State Council issued a set of documents on this subject, in which they demand that the leadership at all levels view this work as important and place it on their agendas as one of the major objectives in the consolidation of enterprises during this and the coming year. As in the case of controlling the scope of capital constructions, a responsibility system shall apply for the leading cadres, and the responsibility of the leadership shall be investigated whenever the task of turning deficits into surplus could not be accomplished. Our province will strive to eliminate operational losses in industrial enterprises this year, and these losses will not be made up by subsidies next year. Profitable

enterprises must direct their attention to unprofitable products, which they should cut down by one-third next year. Enterprises in collective ownership must also relentlessly pursue the work of turning deficits into surplus. The fundamental problem in this work is that vigorous measures of management and administration to raise enterprise quality are to be achieved through an overall reorganization and a readjustment of the leadership team.

Fifth, we must strictly control the scope of capital construction and guarantee completion of the key construction projects. In next year's plan of capital construction, the following are the major items among the 28 state key projects and other large and medium state projects placed in this province: the Yizheng Chemical Fiber Plant, the Nanjing Oil Refinery, the first stage work on the Xushou Power Plant, the Fengpei Coal Mine, the Yangzi Petrochemical Company, the Jiangnan Radio Equipment Factory, the Huaihai Cement Works and the harbor works at Lianyungang, Zhenjiang and Nanjing. All municipalities, counties and departments must actively support these key construction projects and complete whatever tasks are required for their completion so as to guarantee their completion according to plan.

Sixth, we must work more vigorously for the establishment of more markets and to enrich the people's livelihood. We must strive hard to increase production of good quality and at cheap prices of those goods which the people need. We must organize better the shipment of agricultural and sideline products into the towns and of industrial goods into the countryside to satisfy the needs of the rural and urban markets. We must employ administrative and economic measures and launch propaganda and education to ensure the basic stability of commodity market prices. We must organize the relevant departments and concentrate the necessary force to control market prices more effectively, stabilize market prices and protect the interests of the consumers. We must strengthen public health work and raise the quality of our medical services. We must continue to push family planning and the control of our population growth vigorously.

Seventh, we must strengthen intellectual development and educational work. On the one hand we must set up good general education while on the other hand we must also set up good vocational and technical education, maintaining the principle of "walking on two legs." We must actively tap the potential of our old institutions of higher learning and as far as possible expand student enrollments. We shall continue to operate schools of various kinds and forms and in particular also pay attention to excellence in television education, which has such a wide and large audience. We must employ effective measures to improve the middle school structure and expand the enrollments of polytechnic and vocational schools. Extreme importance must be attached to basic education in middle and elementary schools. Factories must strengthen the technical training of their staff and workers and the assessment of technical personnel to meet the needs of the modernization drive.

The meeting emphasized that next year's work is all very important. The standing committee of the provincial party committee and the administrative organs at the provincial level must launch party rectification, the party

and government organs at the county level must engage in organizational reforms, etc. It is therefore necessary to strengthen leadership, make overall arrangements and adopt the spirit of party rectification in promoting economic work. At no time must we relax or weaken our leadership in economic work. Not only must leadership be carried out in a clear and definite division of labor, but it must also concentrate a sufficiently strong force and energy for the effective promotion of economic work. There is still over 1 month's time from now to the end of the year. Much economic work is left to be performed in this period. The tasks are numerous and strenuous, and we must therefore take a very firm grasp of all this work. While we strive hard to complete the various tasks of this year, we must also actively and effectively plan for a good beginning of production in the coming year, for the timely supplies for the New Year and Spring Festival markets and for Spring Festival transportation work, so as to attain a good beginning in the first season of next year.

9808

CSO: 4006/192

GENERAL

GUANGMING RIBAO DISCUSSES STOCK DIVIDENDS IN PRC

HK221435 Beijing GUANGMING RIBAO in Chinese 5 Feb 84 p 3

[Article by Cai Guoxin [5591 0948 2450]: "How Should We Look at Stock Dividends?"]

[Text] Our economic theorists and economic workers have discussed the economic nature of stock dividends and put forth various views. One view holds that it embodies distribution according to capital contributed, that is, distribution of remuneration to stockholders from the enterprises' profits according to the number of shares in the capital raised. Another view holds that it is a supplementary form of distribution according to work done. I think that neither of these views is correct; stock dividends are a form of reward for commune members or staff members who hold shares in the capital raised.

Marxism tells us that all forms of social distribution of the means of subsistence are determined by the nature of the objective system of ownership of the means of production. The form of distribution corresponding to capitalist private ownership of the means of production can only be distribution according to capital contributed, that is, [?distribution] of surplus value according to the amount of capital contributed. Under the condition of socialist public ownership of the means of production, we must practice distribution according to work done. Although the forms of distribution according to work done include both basic forms and subsidiary forms, such as wages, bonuses, allowances, and so on, these various forms have the same nature; that is, they embody a direct proportion between income and work done, and they give due consideration to the material interests of the state, the collective, and the individual. We say the payment of stock dividends is a form of reward for stock holding and contribution of capital because, like bonuses, it is linked to the results of operation of the enterprises and it is limited to a given quantity. However, it also differs from bonuses, because whereas bonuses are a remuneration for extra work done, stock dividends are not directly linked to the quality of the work done by the workers, though they are related to the running and management of production at the enterprises. It can thus be seen that the economic nature of stock dividends under socialist conditions is that they constitute part of the national income created by socialist workers; they belong to the primary distribution of national income; and they are a form of reward for stockholders. They essentially differ from stock dividends under capitalism.

First, they stem from a different economic base. Socialist stock dividends are based on public ownership of the means of production. Being part of the national income, they embody the relationship between the state, the enterprise, and the individual. However, capitalist stock dividends are based on private ownership of the means of production; they are a converted form of surplus value and embody the relationship of exploitation of the working class by the capitalists.

Second, the sources of stock dividends are different. Under socialist conditions, the money invested by the workers in shares comes from the workers' income from work; whereas the share capital of the capitalists' joint stock companies is part of the capitalists' capital which, in the final analysis, is obtained by exploiting the workers.

Third, the aim of investment in shares and contribution of capital is different. Under socialism the workers of the enterprises invest in shares in order to quicken the development of production and help satisfy the people's ever-growing material and cultural needs. On the other hand, the capitalists invest in shares to receive greater surplus value.

Fourth, under socialist conditions, the raising of capital, buying of shares, and distribution of dividends are carried out within prescribed limits in an organized and planned way. On the other hand, the appearance of capitalist joint stock companies and their stock dividends is spontaneous, is governed by the laws of blind competition, and is not limited in any way.

Moreover, we should note that the nature of the stockholders and their role in the enterprises are basically different. In socialist enterprises, the workers are both stockholders and real masters of the enterprises. However, under capitalist conditions, though all shareholders are formally the "masters" of the companies, only the big shareholders actually exercise total power over the companies.

After all, of course, the payment of stock dividends is not a form of distribution according to work done. Thus, the amount of dividend depends on the share capital invested, and those who have no shares cannot get any dividends. However, we must not negate stock dividends just because of these "defects." If we strengthen political-ideological work, if we more vigorously manage the raising of share capital and the payment of stock dividends, and if we persist in working according to economic laws, then, through repeated rounds of practice, it is definitely possible for us to gradually perfect the stock dividends system, so that it can play a greater role in our country's socialist economic construction.

CSO: 4006/308

GENERAL

PROVINCES ASSIST TIBET IN ECONOMIC GROWTH

OW201434 Beijing XINHUA in English 1313 GMT 20 Feb 84

[Text] Beijing, 20 Feb (XINHUA)--A Tibetan leader has paid high tribute to Sichuan, Zhejiang, Shanghai and Tianjin for aiding economic development in the Tibet Autonomous Region.

In a letter to a leading member of the Chinese Communist Party Central Committee, Banqen Erdini Qoigyil Qyancan, vice-chairman of the Standing Committee of the National People's Congress, described the program for interior parts of China to aid Tibet as an excellent thing.

The program, which is progressing satisfactorily, illustrates the concern of the party and the people of other parts of the country for the Tibetan people, he said.

In August 1983, the central government designated Shanghai, Tianjin, Sichuan and Zhejiang as the four major partners to help the Tibet Autonomous Region speed up its economic development. Two months later, a 26-member delegation visited the region to make a week-long survey and discuss details with the regional government.

They decided to set up 70 economic and technical cooperation projects, covering energy development, road construction, resources surveying and planning and construction of textile mills, food processing plants and garment factories as well as cooperation in training of scientific personnel.

Hangzhou, capital city of Zhejiang Province, established sisterly ties with Lhasa and contracted to help construct hydroelectric power stations and public buildings, expand a lumber mill and small mechanized chicken farms, and train middle school teachers.

Technology, equipment and materials will be provided on preferential terms. The two cities also agreed to exchange scientific and technical information and sell industrial, agricultural and sideline products to each other.

Shanghai and Tianjin have offered additional aid projects. The four provinces and municipalities have given priority to materials destined for Tibet.

With a population of 1.78 million, Tibet lags behind the rest of China economically for historical reasons. At present, the central government subsidizes 98 percent of the regions expenditures each year. In the past 32 years, this has amounted to six billion yuan.

CSO: 4020/075

GENERAL

TRADEMARK USAGE EXPANDS, SYSTEMATIZED

OW151444 Beijing XINHUA in English 1327 GMT 15 Feb 84

[Text] Beijing, February 15 (XINHUA)--More than 90,000 trademarks were registered in China by the end of 1983, according to Li Jizhong, director of the Trademark Bureau of the State Administration for Industry and Commerce.

Li told XINHUA today that the national trademark law enacted in March, 1983 had provided legal grounds for protecting the exclusive rights of registered products and promoted increased registration.

There were 20,807 applications in 1983, he said, an increase of 2,242 over the year before. More than 19,000 came from Chinese enterprises, while 1,687 were submitted by foreign companies.

Li said officials in local industry and commerce administrations have seriously applied the trademark law, helping resolve disputes.

"Daqianmen," or "Grand Front Gate," was re-registered in 1956 as the trademark of the Shanghai cigarette factory. It is also used by two more factories in Qingdao and Tianjin with special permission from the Shanghai plant. During the cultural revolution of 1966-1976, however, several other large cigarette factories in northeast, north and east China also adopted the same brand name. Last June, three months after the trademark law was passed, the State Administration for Industry and Commerce decided to defend the Shanghai factory's claims, and prohibited all other factories from using the name after the end of 1983.

A number of cases of counterfeit watches, cigarettes and bicycles have also been dealt with, safeguarding the rights of both Chinese and foreign companies, Li said.

CSO: 4020/072

GENERAL

OFFICIAL REVEALS DAMAGE, LOSSES DUE TO FIRE

OWO91107 Beijing XINHUA in English 0717 GMT 9 Feb 84

[Text] Beijing 9 February (XINHUA)--Fires cause direct economic losses of (?over) 100 million U.S. dollars each year in China, according to an official here.

The official, from the Ministry of Public Security which oversees the country's fire control programs. [Words indistinct] there had been an average of 50,000 major fires annually since 1979, not including forest fires and blazes in mine pits or army installations. The losses--estimated at around 10 U.S. cents for each of China's 1 billion people--would have been much greater if unreported fires and inaccurate monetary conversions were taken into account, he added.

Foreign press reports have put the figure as high as 20 U.S. dollars per capita in Canada and the Federal Republic of Germany in 1979. Average fire losses in the United States, Britain and Japan were estimated at 17.7, 13.3 and 5.4 dollars respectively in 1980.

Despite a lack of advanced fire control research and technology, the official said, the toll has been kept basically stable for the past several years through a system of mass mobilization under the supervision of special fire prevention departments. The departments oversee all institutions and enterprises within their jurisdiction, each of which has its own personnel and obligations.

High-risk institutions are required to maintain full or part-time fire prevention offices, backed up by professional fire brigades in the largest complexes. Volunteer forces are mandated for smaller units, although all must have automatic alarm systems and adequate equipment.

The measures have been strengthened by a mass fire prevention campaign under the annual safety month held each May, the official said.

During the annual harvest seasons of summer and autumn, he said, the campaign focussed on rural areas, with special stress on threshing grounds and granaries. In the winter, a peak fire season nationwide, it centered on the safe use of electricity and investigations aimed at removing potential fire hazards.

The official said volunteer fire brigades had proved to be of great importance in reducing economic losses. Most rural fires were put out by the brigades and local residents, he said, while 20 to 30 percent of all [?urban] blazes were extinguished before they could spread.

He added, however, that much more work was needed and several conflagrations causing more than 150,000 U.S. dollars worth of damage still took place every year.

The official called for strong legal sanctions, better supervision and faster scientific and technological research to improve fire prevention and control. More knowledge of foreign fire prevention techniques was also needed, he added, to help modernize outdated equipment and methods.

CSO: 4020/071

GENERAL

BRIEFS

CONSTRUCTION MANAGEMENT ASSOCIATION FOUNDED--Beijing, 19 Feb (XINHUA)--China's building enterprise management association, a nationwide mass organization to study theories concerning management of construction companies, was founded here today. It aims to sum up, exchange and popularize scientific experience and methods developed in China and other countries, with emphasis on theories and systems suited to China's specific conditions. The association will also provide consultancy services and train technical personnel. Addressing the inaugural ceremony, vice-minister of the State Planning Commission Peng Min said that improvement of building enterprises hinged on the quality of their leadership and managerial personnel. Thanks to the national effort to streamline economic enterprises in the past few years, he said, most of the building companies in China had shown improvement. They were now staff by qualified personnel who were politically conscious and professionally competent, he added. {Text} [OW191642 Beijing XINHUA in English 1635 GMT 19 Feb 84]

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TIANJIN OFFICIAL ON RELATIONSHIP WITH HONG KONG

HK090756 Hong Kong TA KUNG PAO in Chinese 7 Feb 84 p 1

["Special Feature" by correspondent Lei Ching-pin (7191 4552 2430): "Tianjin-Hong Kong Ties Will Be Strengthened--Interview with Zhang Zhaoruo, Deputy Secretary General of the Tianjin Municipal Government"]

[Text] "Although we are confronted with many difficulties in our foreign trade work, we are sure that we can overcome these difficulties following the implementation of our open-door foreign policy."

Arranged by the All-China Journalists Association, more than 10 Hong Kong correspondents visited Tianjin and Beijing for 6 days after the eighth round of Sino-British talks. While in Tianjin, the correspondents were received by Zhang Zhaoruo, deputy secretary general of the Tianjin Municipal Government. After making the above remarks, he said that in foreign trade, Tianjin is confronted with the following three difficulties: 1) Industrial products are not good and their competitiveness in the international market is low; 2) there are problems in the management system and some enterprises have incurred losses for a long time and must rely on subsidies; and 3) the foreign trade workers lack experience and capability and do not have a good knowledge of the foreign market and international trade.

"Strictly speaking, these difficulties have been left over by the Cultural Revolution. The most serious problem has been due to the closed-door policy, which has been in force for a long time. Take Tianjin, for example. Last year, a Canadian merchant placed an order for folding chairs with a Tianjin foreign trade unit at the price of \$5 per chair. The manufacturing unit thought that the price was reasonable. But after a contract was signed, it was found that the price had not included shipping freight charges, which was \$5.20 per chair." At this, Zhang Zhaoruo could not help feeling embarrassed. He stressed: "Only an open-door foreign policy will enable us to make frequent contacts with the outside world, to know about the situation in foreign countries, and to avoid making the above mistake."

Then, he shifted his topic to system reform. Zhang Zhaoruo said that the work in system reform is focused on obtaining younger and better educated cadres. He said: "Not only industrial and commercial enterprises but party and government organs must also carry out system reform."

Zhang Zhaoruo disclosed that most of the leading cadres of the Tianjin Municipal People's Government are young cadres in their forties. Most of the older leading cadres are advisers to the people's congress. It can be expected that the work of obtaining younger and better educated leading cadres in party and government organs will be completed this year.

Zhang Zhaoruo pointed out that Tianjin is an important foreign trade city in northeast China. It has established trade relationships with more than 150 countries and regions. More than 1,000 kinds of commodities were exported last year. Tianjin and Shanghai have comparatively large decisionmaking powers in introducing foreign investment and technology. In Tianjin, for example, foreign investment under 10 million yuan will not be approved by the central authorities.

"In introducing advanced foreign technology and improving the quality of products, we adopt the lively policy of 'simultaneous practicing, learning, and improving' so as to guarantee the interests of investors and to train personnel."

Zhang Zhaoruo said that last year, foreign investment in Tianjin was \$30 million. Between March and September this year, Tianjin will hold a large trade promotion fair. It is expected that foreign investment and technology introduced to Tianjin will increase.

"In the past, Hong Kong was the main reexporting port for Tianjin's export commodities. Following the implementation of the open-door policy, Tianjin has reduced its reliance on Hong Kong. This is an inevitable trend."

While analyzing the trade relationships between Tianjin and Hong Kong, Zhang Zhaoruo affirmed that Tianjin's reliance on Hong Kong in exporting its commodities will gradually be reduced. Viewed from another angle, following the implementation of system reform in industrial and commercial enterprises, Tianjin will provide more investment opportunities for Hong Kong. He said: "I believe that the relationships between Tianjin and Hong Kong will be strengthened and not weakened."

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HONG KONG RELEASES 1983 DOMESTIC ECONOMIC FIGURES

HK160326 Hong Kong HONG KONG STANDARD in English 16 Feb 84 BUSINESS STANDARD
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[Excerpt] Hong Kong's gross domestic product (GDP) increased by 5.9 percent in 1983 real gross, according to preliminary estimates of Census and Statistics Department.

Frederick Ho, an assistant commissioner of the department, said the figure was arrived at with some revisions in the expenditure-approach of counting the GDP, such as the margin earned by the real estate developers and distributive trade margin, without which the GDP growth rate was at 8 percent.

The GDP for 1983 totalled \$206.9 billion compared to a provisional \$184.4 billion in 1982. GDP growth in 1982 was 2.8 percent revised from the earlier published 1.1 percent.

Estimates

The department has revised its estimates to the expenditure-based gross domestic product (GDP) and started a new production-based GDP series, the secretary for Economic Services, Piers Jacobs, told the Legislative Council yesterday.

Mr Jacobs explained that annual surveys covering various sectors of the economy had provided the department with the information which made the revisions and the use of the production approach possible, when replying to a question from Mr Wong Po-yan.

"The revision made to the expenditure-based GDP series have the effect of raising the level of the previously published current price estimate by roughly 15 to 20 percent in each year," he said.

This higher level was largely due to the inclusion of survey-based estimates in place of crude assumption for several items on which information was not available previously, he added.

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HONG KONG BANKS MAKE FURTHER PRIME RATE CUTS

HK160341 Hong Kong HONG KONG STANDARD in English 16 Feb 84 BUSINESS STANDARD
p 1

[Excerpts] Local interest and prime rates have again been cut--by 1 and 1/2 percent this time--with immediate effect.

The reduction, announced by the Hong Kong Association of Banks after a special meeting yesterday, is the third so far this year as the pegged dollar continued to maintain its strength.

It was prompted by excessive liquidity on the local money market.

Bankers and industrialists greeted the move, which they say would help quicken the pace of economic recovery by providing much needed cheap finance.

The acting chairman of the Hong Kong Association of Banks, Mr John MacKenzie, said the reduction would greatly benefit local entrepreneurs.

The overnight interbank rate, which is the rate charged on loans among banks, touched a low level of only 1 percent yesterday.

The new deposit rates announced yesterday are: Savings--4.5 percent; 24-hour call, 7-day call, 1-week and 2-week deposits--5 percent; 1-, 2-, 3-, 6-, 9-, and 12-month deposits--5.5 percent.

The two note-issuing banks, Hong Kong Bank and Character Bank, along with Hang Seng Bank, had their prime lending rates reduced by 1.5 percent to 10 percent from yesterday.

Hang Seng Bank's mortgage rate was also trimmed by 1.5 percent to 11.5 percent.

But Hong Kong Bank and Hang Seng Bank decided that the deposit rates promulgated by the bank association--which sets ceilings but not floors on deposit rates to discourage competition among banks--were still too high.

A spokesman for Hong Kong Bank said it had departed from the interest rate agreement as the money market was highly liquidative and the interbank rates were very low.

Analysts say the market is awash with funds as there has been a substantial capital inflow in recent weeks--partly on speculation that the local currency may be pegged higher against its American counterpart.

However, the principal assistant secretary for Monetary Affairs, Yam Chi-Kong, yesterday reiterated that the government did not intend to change the pegged rate.

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BRIEFS

CITY SITE BOUGHT--A Southeast Asian Chinese group, with Peking participation, yesterday picked up the Admiralty II site in Central for what is seen as the bargain price of \$380 million. The public auction at the Furama Hotel was packed--a rare sight since the property recession began. A prominent Singapore businessman, Mr Ng Teng Fong, who flew in for the auction, revealed that the consortium plans to spend \$1.5 billion developing the 6,170 sq metre site at the junction of Cotton Tree Drive and Queensway. It is planned to build twin 50-storey towers to accommodate a hotel and offices. Among the participants in the project are the Singapore-based Far East Organisation, headed by Mr Ng, and Pontiac Land, which has strong Indonesian connections and owns the Pavilion Intercontinental Hotel in Singapore, while Peking's Everbright Industries, headed by Mr Wang Guangying, will take up about 15 percent. [Article by Real Estate Editor Victor Su] [Excerpts] [HK160423 Hong Kong SOUTH CHINA MORNING POST in English 16 Feb 84 p 1]

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